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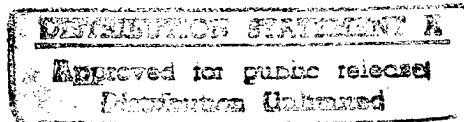
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9 SEPTEMBER 1987



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# ***JPRS Report***



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CHINA

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## BO YIBO ON MAY 4TH ANNIVERSARY

Beijing ZHONGGUO QINGNIAN [CHINESE YOUTH] in Chinese No 5, May 87 p 2

[Bo Yibo [5631 0001 3134]: "A Dedicatory Article on the 'May Fourth'"]

[Text] Again, as once every year, the fourth of May, Youth Day, has arrived. It is a day that should be remembered forever; it is the festival devoted to youth. On this day, I want to express my cordial congratulations to the entire youth of the nation! May you all develop into capable persons, with lofty aspirations, achieve great things, and strive to be good youths, contributing in your work toward realizing the four modernizations.

The patriotic May Fourth Movement, which erupted 68 years ago, was the prelude to China's New Democratic revolution. By sweeping away the evil rule of imperialism and feudalism, and creating this momentous revolutionary movement, China's youth prepared, ideologically and in the creation of a core of followers, for the formation of the CPC, and, moreover, ushered in a correct direction for China's youth movement. Following the birth of the CPC in 1921, China's revolutionary youth, under the leadership of the party, toppled the "three big mountains" of imperialism, feudalism, and bureaucrat capitalism, fighting heroic battles, one stepping into the breach as another fell, just as Comrade Mao Zedong once pointed out "truly playing the role of a kind of vanguard," thus creating their own glorious tradition. Most old warriors, as I myself, joined the revolution under the influence of the May Fourth Movement. Many among them came from the student movement, when they first involved themselves in the revolution; thus, they had a personal understanding of youth movement. In my opinion, the following are the two most fundamental elements in the May Fourth spirit, or rather in the May Fourth tradition: First, firm belief in Marxism-Leninism and determination to follow the communist party. As is generally known, the greatest achievement of the May Fourth Movement lies in its proving that capitalism is unworkable in China, and that it prompted a group of progressive intellectuals of the time to realize that socialism is the only road to China's salvation. These people later accepted the guidance of Marxism-Leninism and founded the CPC, thereby ushering in a new era in Chinese history. Second, always uphold the stand of the masses and place the interests of the party, the state, and the people above everything else. Whatever the changes of the times, and however revolutionary tasks may vary, these two elements will never become outdated; they must always remain the excellent tradition that must be passed on and developed.

You, this present generation of youths, have grown up in the new historical era. You are a lucky generation. Our great socialist motherland is providing its youth with opportunity to study and to do intensive research, develop talent and skills, acquire all necessary abilities, and scale new heights in personal development. I have heard people say that some wonder whether it is not outdated to recall past suffering and think over the source of present happiness. I on my part, however, think that establishing the proper view of the relationship between suffering and happiness has its merits. Without knowledge of the suffering in the old society, without awareness of how much blood has been shed by the earlier generations in removing "the three big mountains," without knowledge of what huge obstacles had to be overcome in the revolutionary struggle, and what arduous and extremely heated battles had to be fought to defeat the enemy, how can anyone, without an understanding of the past, correctly understand the present! How can one understand the happiness of socialism! Today's youths have for the most part been tempered and allowed to grow up in the great practice of socialist modernizations, have been able to accomplish outstanding achievements in reform, opening up, development of socialist planned commodity economy, in national defense, and in the development of educational, cultural, sports and scientific undertakings, to form the vital new force on all fronts of China's endeavors. There is a bright future for the whole generation of youths; the party and the people have confidence in you. I hope you realize the historical task that rests on your shoulders.

Building socialism with Chinese characteristics is the glorious task that several generations of Chinese will face; China's younger generation will have to exert great efforts to carry on the cause and forge ahead. Let us hope that China's younger generation will grow up healthy, be seriously aware of its historical task, be masters of historical events, and will successfully accomplish first-rate work in building socialism. Accomplishment of all this requires a firm political direction. The four cardinal principles of the party guide us in overcoming difficulties and reverses, leading us from victory to even greater victories. The present state of stability and unity is also the result of upholding the four cardinal principles, a result that has not been easy to achieve. We must steadfastly safeguard them. Youths should devote themselves to the mighty torrent of reform; they should firmly support the policy of reform, opening up, and revitalizing the domestic economy. They should initiate a deeply penetrating movement for increased production and greater economies, as well as for increasing revenue and curtailing expenditure, in an arduous struggle to stabilize the national economy. They should forever align themselves closely with the masses, face realities, involve themselves deeply in life, courageously explore, show boldness in actual practice, and in actual practice recognize and develop truth. They should assiduously study, exert efforts to improve their ideology and ethics, as well as the quality of science and culture, be good youths with ideals, morality, culture, and discipline. In recent years, we promoted many youths to positions in leading groups, and practice has proven that most have performed well. But there were also a few who were not up to standards in that they showed a craving for fame, fortune, and power. It is therefore my special hope that our youthful cadres set an example in possessing the "four haves" [ideals, morality, knowledge, physical strength]. "You must aim high

as to the things you want to achieve, but not as to the posts in officialdom." That is what Sun Yatsen told students at the Guangxi Military College. I have already said enough, but wish only to leave the said quotation with all of you, in the hope that you will exert yourselves in the spirit of the said saying.

Lenin once said: "We are the party of the future, and the future belongs to the youth." With all confidence in the future, the CPC places high hopes on the youth. I firmly believe you will be as pupils that in due course will do better than their teachers, surpass your predecessors, write a new chapter in the book of history, and on the wide road of socialism dedicate your youth to communism, the most magnificent undertaking of mankind.

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CSO: 4005/882

#### BACKGROUND OF SECRET DOCUMENTS ON ZHUOZHOU MEETING

Hong Kong CHIUSHIH NIENATAI [THE NINETIES] in Chinese No 6, Jun 87 pp 26-28

[Article by Shi Hua [2457 5478]: "Background of Secret Documents on Zhuozhou Meeting"]

[Text] The "Internal Speech by Xiong Fu [3574 1788]" and the "Internal Speech by He Jingzhi [6320 2417 0037]" were published originally in the first and second issues of the "Summary Report" of the meeting held by the CPC literary and art circles in Zhuozhou City. The first issue of the "Summary Report" came out on 6 April, and the second one on 7 April. Both issues were marked "Internal document, handle with care".

The full name of the Zhuozhou meeting is: Forum for Soliciting Contributed Articles Held by the Departments of Literature and Art of HONGQI and GUANGMING RIBAO, and the Editorial Department of WENYI LILUN YU PIPING. It was held in Zhuozhou City, Hebei Province from April 6 to 12 this year. Because Zhuozhou is the birthplace of the Peach Garden's alliance in SANGUO YANYI [ROMANCE OF THE THREE KINGDOMS], and, coincidentally, three units--"two journals and one newspaper"--sponsored the forum, someone openly referred to it as "Peach Garden's triple alliance". Others also added a fine-sounding name by calling the forum "an alliance of Marxism".

HONGQI and GUANGMING RIBAO, members of the "two journals and one newspaper", are the most active bodies in the "anti-bourgeois" struggle. According to the speech by He Jingzhi, deputy director of the CPC Central Committee's Propaganda Department, the other journal, WENYI LILUN YU PIPING, is a newly commenced literary and art theory publication. Its editor in chief is Chen Yong [7115 3279], who initiated the criticism against Liu Zaifu [0491 0375 1788] in HONGQI last year and is one of the officials of the "CPC Central Secretariat's Policy Research Office" headed by Deng Liqun.

Taking a Clear-cut Stand in Opposition To the Literary and Art Line of Years Ago

On April 20 GUANGMING RIBAO reported the Zhuozhou meeting, while RENMIN RIBAO and other newspapers did not. According to GUANGMING RIBAO, the participants of the forum "exchanged views on carrying through the policy of the party

Central Committee, upholding the four cardinal principles, opposing the ideological trends of bourgeois liberalization, and consolidating and developing a Marxist ideological position in literature and art. Based on the discussion, they also selected a number of themes for articles." It was also reported that after hearing the report on the result of the forum, Wang Renzhi, director of the CPC Central Committee's Propaganda Department, said: "It has been a very good meeting..."

GUANGMING RIBAO reported: "All comrades participating in the forum held that," "over the past few years, the ideological trends of bourgeois liberalization in literature and art went wild." "In the preceding period some literary and art journals and publications spread various decadent bourgeois views and theories." "They have provided a cultural environment for erroneous political ideologies, and some viewpoints have served as a theoretical basis for the ideological trends of bourgeois liberalization. Thus, the criticism against these erroneous viewpoints is an important condition for overcoming the ideological trends of bourgeois liberalization." What all of this means is that even if some viewpoints on literary and art theory are not directly against socialism or advocate capitalism (the official definition of "bourgeois liberalization"), they must still be criticized for their ideological tendencies of bourgeois liberalization.

The forum has boosted the morale of the "ultra-leftist" conservative theoreticians in literature and art. GUANGMING RIBAO reported that "comrades who are determined to uphold and develop Marxism should not fear of being labelled as 'ultra-leftists' or 'elements to eliminate spiritual pollution' and, therefore, keep silent."

Over the past few years, literary and art theoreticians such as Liu Zaifu have studied Western academic writings intensively and have integrated them with the situation of Chinese literary and art fields over the past few decades, creating some insightful scholarly work on literature and art, which is beyond the understanding of the shallow, conservative theoreticians. In order to overcome the inferiority complex of the older theoreticians, the participants have charged "the literary and art circles in the preceding period" with "coining incomprehensible concepts in certain articles," "concocting concepts behind closed doors," and "replacing their own creation with 'new terms' and 'new concepts' implanted from Western writings."

Over the past few years, the writings of the new literary and art theoreticians such as Liu Zaifu have won the praise of readers and the literary and art circles and have been well received overseas. Their works have been heavily sought after and published in various journals. Feeling bitter, the "ultra-leftist" theoreticians in literature and art at the forum thus vilified all of this as "vulgar ways of logrolling", and as "using their articles as a means and commodity to fish for reputation, to fawn on foreigners and to reap remuneration."

All the above is the open report by GUANGMING RIBAO.

The "Leftists" Rally To Issue Orders to the Whole Country

There are other features of the Zhuozhou forum that are noteworthy but are off the record and have not yet been revealed.

First, the forum is a factionalist meeting rallied by the "leftist" literary and art circles.

It excluded the more authoritative RENMIN RIBAO from the forum's organizers. Minister of Culture, Wang Meng, who has been the person in charge of the literary and art circles in recent years, was not invited to the forum. Furthermore, the Ministry of Culture, the Chinese Academy of Social Science's Institute of Literature, and other nationally influential journals on literary and art theory such as WENYI BAO were all excluded.

Xiong Fu, editor in chief of HONGQI, and He Jingzhi, deputy director of the CPC Central Committee's Propaganda Department, were the people who gave guiding speeches at the Zhuozhou forum. Liang Guangdi [2733 0342 1717], deputy director of the Literature and Art Bureau, the CPC Central Committee's Propaganda Department, delivered the gist of pertinent documents from the Party Central Committee. Participants who delivered lengthy speeches also included Lin Mohan [2651 7817 3211], Liu Baiyu [0491 4101 5038], Yao Xueyin [1202 7185 0995], Chen Yong and Meng Weizai [1322 0251 0762], almost all of whom are the "leftists" in the literary and art circles specializing in launching accusations in recent years. Yao Xihua [1202 6932 5478], editor in chief of GUANGMING RIBAO, made the opening speech at the meeting, and Ma Zhongyang [7456 0112 2254], deputy editor in chief of HONGQI, made the closing speech.

As covered by the "Summary Report" of the opening session, apart from the people mentioned above, "those who were seated at the presidium stand" also included "Li Xifan [2621 1585 0416], deputy director of the Institute of Chinese Arts. He was thought of highly by Mao Zedong for his criticism against Yu Pingbai's [0205 1627 0184] The Study on Dream of the Red Chamber and was a relatively active "leftist" theoretician in the later period of the Cultural Revolution.

The "Summary Report" also mentions: "Participants of the forum, totalling approximately 120 people, included workers engaged in literary and art theory, and directors of Literature and Art Offices from Propaganda Departments of various provincial, municipal, and autonomous region Party Committees." It is evident that the meeting was definitely not an ordinary "forum for soliciting contributed articles." It is, instead, a meeting called by the CPC Central Committee's Propaganda Department, held and addressed exclusively by "leftist" theoreticians in literature and art to issue orders to China's party members and government officials in the literary and art fields.  
Expression of Revanchism

If the "Huangshan Pen Club Meeting" held on July, 1980 (covered in this journal's January 1980 issue) was a rally of the long suppressed "rightist" in the literary and art circles, then the April 1987 Zhuozhou meeting held seven years later was a rally point of the "leftists" in the literary and art circles to counterattack and vindicate. Internally, the meeting was referred to as "remobilization."

One of the two "important speeches" was given by Xiong Fu, and it summarily reflected the vituperation and the sentiments of both giving vent to revanchism and having no alternatives (as Xiong Fu put it, "feelings of having no choice and self-repentance") as expressed by the participants as their views towards the active literary and art circles under China's recent reform and policy of opening to the outside.

In his speech, He Jingzhi reminded the literary and art circles that they should not just remember Deng Xiaoping's words at the Fourth National Congress of Literature and Art Workers: "Do not interfere willfully"; or the words of Document No 4 issued after the "anti-bourgeois" struggle: "All (published works) will not be cleared up." His insinuations are clear: necessary interference should not be done without, and writings with real "problems" cannot be left uncleared. It is apparent that the ultra-leftists are not content with the policy boundary delimited by the documents from the party Central Committee.

What should be "cleared up"? Three key points were in fact spelled out at the forum. First, in terms of organization, the Fourth Congress of the Chinese Writers' Association held at the end of December 1984, the "greeting speech" by Hu Qili [5170 0796 4539] in particular, and the "loosening up" policy carried through subsequently by Wang Meng in both the Ministry of Culture and the Chinese Writers' Association must all be criticized. Wang Meng was described as "the organizational basis for liberalization". Second, in regard to theory, Liu Zaifu's idea of "literature and art taking command" should be criticized. He was described as "the theoretical basis for liberalization." Third, in reference to literary and art creation, sex literature represented by Zhang Xianliang [1728 6343 0081] should be criticized. Joining the three key points together to form a line, it is called "three points one line."

The point which was directed at Liu Zaifu's theory is the one, among the three, that can most reflect the vengeful sentiments of the ultra-leftists. In Xiong Fu's speech, both the Hong Kong TAKONG PAO report made subsequently after Chen Yong's critique of Liu Zaifu's articles was published in HONGQI last year, and Liu Xinwu's views as expressed in the interview with Hong Kong's CHIUSHIH NIENTAI were said to be: "Party-member theoretician and writer in literature and art have formed an alliance with the bourgeois and anti-communist media in Hong Kong." In his speech, He Jingzhi took exception to the view that "the problem with RENMIN WENXUE was merely concerned with minority nationality policy, not a result of the flood of literary and art and other erroneous ideological trends." These two speeches show that the "ultra-leftist" party members and government officials in the literary and art fields are gnashing their teeth and are making every effort to label Liu Zaifu and Liu Xinwu anti-party and anti-socialist.

#### To Recruit the "Leftists" by Offering "Positions and Pay"

While the "ultra-leftists" are hostile to the literary and art circles which have ever held opinions differing from theirs, they vulgarly flatter Chen Yong and Yao Xueyin who have supported them. In his speech, He Jingzhi even mentioned that "as to comrades who uphold Marxism, we must show our support,

which should be ensured by administrative and organizational measures including positions and pay." This is to entice blatantly the literary and art circles with fame and gain into writing articles in support of the "ultra-leftist" literary and artistic line.

It is reported that the remuneration rate offered by the forum is 90 yuan per 1,000 words, 10 times the average rate of China's newspapers and journals. For articles solicited through high remuneration and written for "positions and pay," how much do they smack of Marxism and socialism? If anything, it would be fabricated "Marxism," not even believed by the authors themselves.

#### Pointing the Spearhead at Zhao Ziyang

It is said that at the Zhuozhou meeting, someone cried his heart out and beat his breast and stamped his feet when airing the grievances he has had over the past few years. Aside from the forum, someone cursed Weng Meng by name as "Hu's henchman." Others also indicated that they must stop the struggle from "reducing to a mere formality" and "prevent the emergence of a new protective layer in the party Central Committee," which pointed the spearhead right at Zhao Ziyang. RENMIN RIBAO, currently under the leadership of Zhao Ziyang and capable of carrying out the "anti-bourgeois" policies, was condemned by the participants as "lacking healthy forces."

Using the Zhuozhou meeting as a means, the "ultra-leftists" once again hoped to add fuel to and hoped to approve the "anti-bourgeois" campaign before the 13th Party Congress in September to forestall more power kingdoms. These trends in China's literary and art circles and political arena deserve our attention.

To specifically understand the thinking of the "ultra-leftists," the two internal secret documents on the Zhuozhou meeting are worth detailed study.

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## STATE PRICE BUREAU STRESSES PRICE CONTROL

HK121029 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1200 GMT 10 Aug 87

[Report: "State Commodity Prices General Administration Stresses Curb on Price Hikes"--ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 10 Aug (ZHONGGUO XINWEN SHE)--In view of the trend of price increases since the beginning of this year, the State Commodity Prices General Administration of China has recently urged various departments and organizations concerned to take prompt, effective measures to strengthen supervision and inspection of commodity prices, to hit hard at illegal price hikes, and to control price increases.

The latest statistics released by the inspection department of the State Commodity Prices General Administration show that the state has approved the increase of prices of a very few items of commodities this year, but in the second quarter of this year, the retail prices of a relatively great number of commodities increased, the increases were relatively great, and the prices of nonstaple foodstuffs in big and medium-size cities also increased remarkably. The administration holds that this situation was caused, generally speaking, by the fact that supply failed to meet the tremendous demand. Another important cause was the lack of a complete set of reform measures. However, failure to strictly exercise price control and to hit hard at illegal price hikes was yet another important cause which should in no way be neglected.

A responsible person of the State Commodity Prices General Administration told the reporter that the general inspection of commodity prices will start earlier this year than last year and that the inspection will first focus on the prices of consumer goods, including nonstaple foodstuffs, which have a direct bearing on the life of the people, and then on the prices of the means of agricultural production.

The State Commodity Prices General Administration rules that various areas, departments, and enterprises as well as individual industrial and commercial businesses must strictly adhere to the standards of commodity prices and transportation expenses specified by the state and will not be allowed to change or increase prices, to earn extra income by imposing additional conditions under various pretexts, or to conclude procedures of transshipment to impose additional charges at various levels. When necessary, the

governments of big and medium-size cities may adopt appropriate measures to limit the prices of grain, edible oil, meats, poultry, eggs, fish, vegetables, and other major farm and subsidiary products in trade fairs. In cases of violation of the price policy, those who are chiefly responsible will be given economic and administrative punishments according to the severity of the offense and will even be held legally responsible.

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CSO: 4006/874

## REFORM SAID BRINGING ABOUT BETTER ECONOMIC RESULTS

OW091441 Beijing XINHUA Domestic Service in Chinese 2257 GMT 8 Aug 87

[By reporter Yu Youhai]

[Text] Beijing, 9 Aug (XINHUA)--During the past 8 years, every doubling of economic input caused a 90 percent increase in China's social wealth, as opposed to 20 percent during the preceding 26 years. The above conception, which this reporter has derived from the materials gathered recently, indicates that the economy of our country is embarking on a new track marked by a rapid growth of economic benefits as a result of its reform program.

People may not be clear about the above-mentioned specific data, but it is not hard for them to perceive the facts concerning these data. In the past when efforts were devoted lopsidedly to grain and steel production, we spent lots of money, materials, and manpower and exerted ourselves to the extreme, but still failed to achieve the goal. For instance, our production fluctuated during the decade from 1958 to 1968. On the average, the annual grain output in the country did not go up, but declined. Steel production showed a small increase, but the average annual output was merely 320,000 metric tons. Since the 3d Plenary Session of the 11th CPC Central Committee, we have persisted in seeking truth from fact and changed the way of lopsidedly grasping grain and steel production. Instead, we have relied on reform to arouse the initiative and creativity of production operators and laborers and, at the same time, improved technology and strengthened management. As a result, our grain and steel production has gone up. The last 8 years have witnessed an increase of some 86 million metric tons in our annual grain output and some 20 million metric tons in our annual steel production. These high growth rates are unprecedented.

Such a sharp contrast between the present and past in the input and output of grain farming and steel industry is an epitome of our entire national economy. During the 26 years from 1953 when the first 5-year plan began to 1978, there was a 17.6-fold increase in the primary value of the fixed assets of state-owned enterprises used for developing agriculture, industry, building trade, postal and telecommunications services, transportation, commerce, and urban public utilities, while the real growth of social wealth--reflected by national income--was only 3.5 times. That is, when the input was increased 100 percent, the resultant growth of national income was only 20 percent. The situation has been entirely different during the past 8 years. During this

period, the primary value of fixed assets of state-owned enterprises has increased only 96 percent, but the national income has risen 90 percent. This means that there is a 94 percent growth of the national income for every 100 percent increase in input.

Since our country had no statistical data of the total social input in the past, the increase in the primary value of fixed assets referred to above does not include the factors of collective, private, and other economic sectors. We can only use the amount put into state-owned enterprises and the wealth created in the whole society for comparison purposes. Though they are not on the same basis, we can roughly see our country's drastic change in economic benefits from the above comparison.

Meanwhile, there has been a marked difference between the last 8 years and the preceding 26 years in the results produced in other areas by a 100 percent increase in input. For example, the rate of the resultant growth of the total product of society has gone up from 36 to 125 percent, and that of the urban and rural residents' consumption level--an indicator of the people's living standards--has risen from 5 to 94 percent. It is quite obvious that China put in more but produced less with only a slow change in its people's living standards during the previous 26-year period, while there have been less input but more out and a faster improvement of the people's living standards during the latest 8 years.

As public figures in economic circles have pointed out, the improvement of China's economic benefits has been realized after correcting the long-persistent "left" guiding ideology and especially after the conclusion of the 10 years of turmoil. The improvement of the people's living standards has served to compensate the people's past sufferings. Such a task can readily produce noticeable results. In the future, however, it will be very difficult to maintain this trend of development. At present, many enterprises in our country are still under poor management, some products are backward or hard to sell and overstocked, and there are such problems as high consumption of raw and semifinished materials and power, high production costs, and low profits. Moreover, some enterprises are still operating at a deficit. Like our entire national economy, these enterprises have not fundamentally changed their state of unrefined operations. Such being the cause, what we should do is to carry out reform in greater depth, strive hard to improve our operations and management, strenuously promote technological advance, and devote even more efforts to raising our economic benefits.

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CSO: 4006/874

## JINGJI RIBAO ON DIFFICULTIES IN CONTRACT SYSTEM

HK280440 Beijing JINGJI RIBAO in Chinese 7 Jul 87 p 3

[Article by Yu Zuyao (0060 4371 1031): "Difficulties Arising in Implementation of the Contract Management Responsibility System and Countermeasures To Resolve Them"]

[Text] The contract management responsibility system is an effective method that can be used to gradually enliven management mechanisms of state-operated large and medium-sized enterprises. However, for these modern and socialized enterprises, the results obtained from implementation of the contract responsibility system are not as quick and marked as those of the household contract responsibility system pursued in agriculture. This is because while implementing the contract responsibility system, modern enterprises will encounter various kinds of contradictions and difficulties that never occur in the household responsibility system in agriculture. If we fail to face squarely and correctly handle these contradictions, it will be difficult for us to obtain desired results.

--To implement the contract system in whatever form, certain objective conditions are needed. As far as an enterprise is concerned, if a contractor is not a good administrator who can do management work and business well and is full of pioneering spirit, he will not be able to execute any kind of well-designed contracts. As far as external conditions of enterprises are concerned, if the development of national economy is at a low ebb, prices of raw and processed materials rise by a big margin, their supply cannot be guaranteed, and market is slack, it is difficult for enterprises to accomplish the tasks stipulated in the contracts. Therefore, the scope of application of various kinds of management system is limited. Under present conditions, the contract management responsibility system cannot be regarded as the only method for enlivening the management mechanisms of enterprises. We should promote the practice of evolution in various forms in order to learn from, and complement each other, and achieve development amid competition.

--While implementing the contract management responsibility system, we should be clear about its nature and objectives. The contract system is neither an expedient measure for resolving financial difficulties of the state and enterprises nor a goal-directed pattern for the structural reform of the state-operated medium and small-sized enterprises. The purpose in carrying out structural reform in state-operated enterprises is to turn these

enterprises into producers and operators of socialist commodities which assume sole responsibility for profits and losses. The contract system is one of the transitional methods for attaining this objective under the present conditions of the coexistence of dual structural systems. Therefore, while implementing various kinds of contract systems and designing management mechanisms for enterprises, we should realize that the contract system is only a transitional method and consciously create conditions for the realization of the goal-directed pattern of the structural system of enterprises.

--Under the present conditions of the coexistence of the dual patterns, due to the fact "different enterprises implement different contract systems," it is difficult to ensure the equality of economic relations and standardization of economic performance despite implementation of the contract system. At present, the responsible institutions of the government are holding negotiations with numerous enterprises to discuss contracted targets. To do so, blind directions given by the higher authorities can be avoided. It is easier to obtain conditions mutually beneficial to both sides. Market mechanism is thus brought into line with the relations between state and enterprises. This is one side of the coin. However, the other side of the coin is that, due to the role of bargaining and competition mechanism, the standardization of the performance of enterprises will inevitably be affected. The regulating role of economic lever and economic parameter will be weakened. It is thus difficult for the state to exercise indirect microeconomic control. To overcome defects of the practice of "different enterprises implementing different contract systems," we may divide enterprises of the same trade into three grades--grade one, grade two, and grade three--in accordance with their objective conditions, government-owned assets, facilities, and labor productivity. Comparatively equal contract quotas can thus be set. While setting contracted tasks and quotas for enterprises of the same kind, management level and capability should be ruled out. They cannot be regarded as counter for bargaining with the state. Only thus can be truly encourage the advanced and spur on the backward.

--The two contracting parties should take economic risks. Since a responsible institution is also a legal entity, it should both enjoy rights and fulfill its duty while signing a contract. As a contracting party, the enterprise should take the risk in business. It should hold responsibility for both profits and losses. During the contracting period, if unpredictable changes have taken place in external market conditions and the execution of contract is affected, efforts must be made to find out who is to blame in light of actual conditions. The practice of executing contracts when there are profits but scrapping them when there is none should be abandoned. Otherwise, the practice of "eating from the same big pot" will continue to exist. We are now in a period of change in the economic structural pattern; the practice of fixing prices and ensuring the supply of means of production according to plan has not yet been completely given up. The pressure put on enterprises is not great enough. After the prices for means of production have all been free, more pressure will be put on enterprises. They can no longer live on financial subsidies provided by the state. Under such circumstances, efforts must be exerted to encourage enterprises to rely on themselves in order to

enhance their competitiveness. They are not allowed to arbitrarily abrogate contracts. The responsible institutions can provide financial support only after the enterprises concerned have made their efforts and tried in every possible way to withstand the pressure from price increases, but are still unable to survive.

--Efforts must be exerted to encourage competition, and the practice of spurring on a flying ox should be prevented. Economic and technical norms are bases for determining the base of a contract. Main economic and technical norms of enterprises of the same kind are not identical. Both objective reasons (equipment, facilities, and prices) and subjective reasons (management level) attribute to this. If we do things in a oversimplified way by regarding the existing quotas of enterprises as bases, or raise the contracted bases of enterprises as economic and technical norms increase, the advanced enterprises will suffer losses and the backward enterprises will not be published. Such practice is tantamount to encouraging advanced enterprises to conceal their economic and technical level and to lower contracted bases. It is also the same as tolerating backward enterprises that rest content with things as they are. To avoid this phenomenon and ensure that the purpose of signing contracts--namely, encouraging the advanced and spurring on the backward--can be attained, while concluding a contract, we should do our best to rule out the subjective factors of enterprises. Enterprises are allowed to retain additional income resulting from increased production because of the improvement of their management and business. The higher they increase their production, the more profits they can retain. If their income exceeds a certain limit, they can retain more additional income. It should be clearly stipulated that if enterprises use profits retained by them to expand reproduction, the additional income they earn belongs to them. This will encourage enterprises to accumulate funds for themselves.

--The main contractors should be clearly defined. The duties and responsibility of the administrators should be affixed. The defects of the old structure of enterprises were reflected not only in the separation between responsibility, power, and interests, but also in the fact that the responsibility of the parties concerned was not clearly affixed. Nobody was responsible for the state-owned assets. In enterprises, we lacked personified representatives of the state-owned assets. Therefore, there occurred a situation in which everybody had a hand in the affairs of the state, but nobody was responsible for them. With the implementation of contract system, some contracts are based on the whole trade and some other contracts are implemented by enterprises on an all-personnel basis. Now, it is obvious that it is difficult for these two kinds of contract systems to avoid the defects of the old enterprise structural system and that it is difficult to give play to the strong points of contract system. This will not be beneficial to the establishment and growth of the contingent of socialist entrepreneurs. I propose that we absorb the strong points of the management responsibility system of assets and that the responsible institutions invite tenders in the society. Those who are successful in entering the bid will be appointed factory directors or managers of the enterprises concerned. The contracted responsibility is directly affixed to individuals. This method of inviting

tenders might be better than that of letting responsible institutions directly sign contracts with the former leaders of enterprises. In the meantime, this will be beneficial to the implementation of factory director responsibility system.

--The principle of awarding or punishing contracting parties should be implemented. To implement the contract system, we should abolish the practice of "iron armchair" [tie jiao yi 6993 0074 2783] and "everybody eating from the same big pot." Efforts must be made to examine how the contracting parties execute the contracts. The principle of giving awards and meting out punishment should be followed. Great awards must be given, whereas heavy punishment must also be meted out. Only thus will leaders of enterprises feel their economic pressure and have the motivation to do their work better. After undertaking contracted tasks, some factory directors are unwilling, or do not dare, to take the wages and bonuses fixed by contracts. Getting at the root of the matter, we find that the traditional prejudice "it is not the size of the cake but the equity of sharing it that matters" is still making mischief. Therefore, the implementation of the contract system must be integrated with the reform of the equalitarian wage system. The wages of factory directors (or managers) should be linked with business achievements. The wages of workers and staff members should also be linked with their achievements in production.

--Efforts must be made to prevent signing contracts on a short-term basis. The business achievements of contracting parties are closely connected with their performance. Due to the fact that economic decision-making power is comparatively dispersed and that main investment is made in a diversified way, those who invite tender might only consider the increase of financial income of the departments or localities concerned, whereas those who submit tender might only consider the way to increase the income and consumption of workers and staff members during the contract period. People do not pay attention to enhancing the capability of enterprises for self-accumulation. When investment is made, people only consider short-term interests. They do not take into account the improvement of the structure of national economy. Therefore, there occurs the problems of paying attention to short-term interests alone. Methods for resolving these problems are: 1) Efforts must be made to strengthen the state's indirect control over macroscopic economy, to stabilize the mid and long-term plans, to improve the tax system, and to strengthen the regulating function of banks. 2) Efforts must be made to establish a system for perfect contracted quotas. It is the duty of contractors to ensure the increase of state-owned assets. The state should ensure that the accumulative funds retained by enterprises, which are converted from profits, belong to these enterprises.

--Efforts must be made to weaken enterprises' reliance on the government. Economic functions of the government should be gradually resolved. One of the purposes of enterprise structural reform is to eventually end the reliance of enterprises on government at all levels, so that they will become independent producers and operators of commodities. With the implementation of the contract system, commodity relationships are brought into relations between

enterprises and the state. The administrative subordinated relationships between the lower and higher levels have begun to turn contracted relations in the commodity economy. The system, which combines government administration with enterprises and integrates the two kinds of powers, has begun to advance along a direction of separation. However, to a certain extent, the contract system strengthens the combination between government and enterprises and the reliance of enterprises on the government. This is because after the signing of a contract, an enterprise can only get limited management power during the contract period. It still heavily relies on the government in terms of finance, economy, planning, goods and materials, personnel, and so on. In view of this, we should promptly take systematic measures to carry out reform. First of all, we should gradually dissolve economic functions of the state. Its function of macroeconomic control should be transferred to banks and revenue departments. The power for production and management should be returned to enterprises. The ownership of state-governed assets should be transferred to administrative department responsible for state-governed assets. The functions of government at all levels should be shifted to organizing social life and doing well in promoting public facilities. Furthermore, a legal procedure is needed for signing contracts, and the procedure should be fixed in a legal form. Enterprises have rights to reject duties not covered by contracts.

--We should change the organizational structure of enterprises characterized by dispersion, chaos, and demanding perfection to allow gradual improvement. Improvement of the organizational structure of enterprises is an indispensable external condition for invigorating enterprises. In accordance with the demand of socialized commodity economy, only by taking suitable organizational forms and structure, can we rationally organize production, supply and marketing of enterprises, improve distribution of resources, and give full play to the vitality of enterprises. Under the traditional system, various regions go their own way and blockade each other. Almost all enterprises are closed to outside intercourse. The organizational structure of enterprises characterized by dispersion, chaos, and demanding perfection has not only given rise to overlapping construction and production, but also created difficulties for the state to exercise indirect control. Although implementation of the contract system has invigorated enterprises, it cannot solve the problem of improving the organizations of enterprises. The situation of dispersion, chaos, and demanding perfection is left intact. While implementing the contract system, in accordance with the demand of socialized commodity economy, we should provide enterprises with decision-making power for promoting lateral links. Through the form of becoming shareholders, we may develop enterprise groups. This method can be selected to improve the organizational structure of enterprises.

In a word, implementation of the contract management responsibility system is a great and systematic project. We should pay attention to adopting various measures for reforms in conformity with the project. When the contract management responsibility system is effectively and gradually developing, its defects and conflict with the existing system will become increasingly conspicuous. We should have a sober understanding of it. We should make an

accurate judgment to gradually resolve in a planned way problems and contradictions arising in the process of implementing the contract management responsibility system. Only by so doing can we overcome the defects and retain the strong points so that the contract management responsibility system will become increasingly perfect.

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CSO: 4006/874

## PAPER BACKS ENTERPRISE CONTRACT SYSTEM

HK060921 Beijing JINGJI RIBAO in Chinese 27 Jul 87 p 1

[Article by JINGJI RIBAO "observer": "The Contract System Is a Path, Do Not Hesitate"]

[Text] With the constant deepening of the enterprise reform, the enterprise contact system has become an important operational pattern to invigorate the large and medium-sized enterprises. As this pattern is not transitional, but in keeping with the national conditions in our country and the general conditions of the various different enterprises, it will probably become a path for the enterprise reform through gradual improvement and development.

We do not mean that as the contract system is a path we should reject the other operational patterns, but that there is great potential for enterprises to implement the contract system. Judging by the situation in many localities, wherever the contract system is effected, the situation is very excellent, the initiatives of enterprises and staff and workers are aroused, and also state revenue does not decrease. As a result, labor productivity is increased, the state can gain more revenue, and the enterprises can also retain more profits from the extra profits. Therefore, as far as localities and enterprises are concerned, if they effect the contract system earlier, they will gain the initiative earlier; if they effect the contract system late, they will gain the initiative late; and if they do not effect the contract system at all, they will be passive.

The enterprise contract system is significant in many ways. From a long-term point of view, it is a better pattern to "separate the two powers" of ownership and operation, because the contract system is not just contracting the tasks assigned by the upper levels but, through the contract system, changing enterprises from subsidiary bodies of the previous administrative organs to independent commodity producers assuming sole responsibility for profits and losses and operating on their own, and making them truly become corporate bodies and the lively cells of the socialist planned commodity economy. Therefore, the contract system is a revolution changing the operational mechanism of enterprises and an extremely important measure to further emancipate the productive forces in the initial stage of socialism. Judged by relations of interests, the method of fixing the basic tasks of enterprises can both ensure the completion of state revenue plans and let enterprises gradually acquire the capabilities of technical self-

transformation and expanded reproduction. Thus, it is advantageous to changing the subject of investments, the implementation and realization of "doubled increase and double economy," and the good handling of relations of interests.

Since the contract system has many advantages, why do some localities still hesitate to put it into practice? There are many reasons. One of the important reasons is that some comrades, in particular the leading comrades of the responsible departments of localities and enterprises, still have blind faith in the role of mandatory financial targets, believing that once the targets are assigned to the factories, they will all be accomplished. Nevertheless, by doing things in this way they will not only overuse the "advanced units," but also spoil the "lazy units." In the end, they still can not guarantee the completion of targets. In fact, this kind of mandatory planning is only "single consent," which fails to encourage the enthusiasm and initiative of enterprises and also violates the operational principle of integrating responsibilities, rights, and interests.

Another reason is that although some enterprises itch to have a go, they fear that the policy will change later on. The best method of dispelling this apprehension is: 1) the basic contracts should be well fixed and defined; and 2) the contracts should not be changed after confirmation. It is necessary to prevent the "disease of jealousy," so as to earnestly ensure the fulfillment of contracts. The profits which should be handed over to the state should all be handed over to the state; and the profits which should be retained by enterprises should all be retained by enterprises. Moreover, people should not indiscriminately apportion expenses to enterprises, raise funds from enterprises, and "exploit" the funds of enterprises. This is also the practice of "everyone eating from the same big pot" in a disguised form. Although it is the enterprises which suffer, eventually the economic development of the country as a whole will be affected.

Of course, the contract system does not include all the advantages and cannot prevent all problems. For example, if the issue of arbitrary price hikes is not resolved, the contract system will become an inducement to price hikes among some people who do not make more efforts to improve production and operation but concentrate on planning to increase prices. However, if some enterprises arbitrarily increase prices after the implementation of the contract system, it does not mean that the contract system will inevitably cause price hikes, and the two things do not have a direct causal link. It is necessary to have a whole set of supervision and restriction methods and to strengthen legislative work. As arbitrary price hikes involve issues of society, economy, administration, and law, efforts should be made to apply more means to bring them under control. As another example, the issue of the inflation of consumption funds might continue to arise after the implementation of the contract system. To resolve this issue, we should rely on coordinated reform within the enterprises and earnestly implement the operational responsibility system within enterprises, including the implementation of payment on the basis of fixed quotas and piecework payment and acting truly according to the principle of payment according to the amount

of work. The growth of worker and staff wages should be slower than the growth of labor productivity and the growth of sales profits. This is a criterion for judging whether or not consumption funds are being inflated, as well as a fundamental way and basis of scientific measurement to resolve the issue of consumption funds inflation.

In sum, people should no longer hesitate to effect the operational contract system in enterprises. We must steadfastly carry it out and constantly make it perfect and coordinated during implementation. This is one of the most important contents of the current enterprise reform.

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PROVINCIAL

ECONOMIC

ZHANG SHUGUANG REPORT ON NEI MONGGOL ANNIVERSARY

OW020743 Beijing XINHUA Domestic Service in Chinese 1328 GMT 31 Jul 87

[Text] Hohhot, 31 Jul (XINHUA)--Zhang Shuguang, secretary of the Nei Monggol Regional CPC Committee, delivered a report entitled "A Great Victory for the Party's Policy of Regional Autonomy for Minority Nationalities" at a cadres meeting held today to celebrate the 40th anniversary of the founding of the Nei Monggol Autonomous Region. The following is an excerpt of the report:

In the past 40 years, under CPC's correct leadership, the people of all nationalities in Nei Monggol have worked in unity and achieved tremendous success in revolution and construction. This is a glorious victory for the party's policy of regional autonomy for minority nationalities. In celebrating the 40th anniversary of the autonomous region today, we wish to extend sincere thanks and pay high respects to comrades of the older generation who, in the difficult years, opened up the way for carrying out future work in the region and who made outstanding contributions to the founding and development of the autonomous region.

Achievements in the Last 40 years

The region's economy has grown rapidly in the last 40 years, 1947 and 1986, its total industrial and agricultural output value had 15.6 times, the number of its livestock 3.6 times, and its grain output 2 times. Starting virtually from scratch, we have established a comprehensive industrial system complete with metallurgy, coal, electric power, chemical, textile, machinery, electronic, and building materials industries. Notable achievements have also been made in education and public health.

We have established a bilingual nationalities educational system extending from kindergarten to college and ranging from general to adult education. Today there are some 300,000 intellectuals and scientific and technical personnel of different nationalities in our region, more than 90,000 of which are Mongolians. Medicine and health have also greatly improved.

The autonomous region has trained a large number of cadres of different nationalities. Minority cadres account for 21.8 percent of the total number of the region's cadres, far surpassing their population ration. Today, we

have a contingent of minority cadres working in the political, economic, military, scientific and technological, educational, and public health fields. Our border defense is strong, our social order stable, our market brisk, and the people's living standards markedly better. Prosperity prevails everywhere.

#### Basic Experience in the Last 40 Years

1. Party leadership provides a fundamental guarantee for carrying out regional autonomy for minority nationalities.

The history of the last 40 years has demonstrated that without CPC leadership, there could not be the Mongolian nationality's liberation, prosperity, or development, and the Nei Monggol Autonomous Region would not have become what it is today. In the new historical period, only by constantly strengthening and improving party leadership, relying on the people of all nationalities, and arousing the initiative of all sectors can we advance our cause to further victory.

2. We must focus on economic construction, vigorously develop the productive forces, and promote economic and cultural development.

After 40 years of hard work, the people of all nationalities in Nei Monggol have established an economic structure with forests distributed in the east, railway lines running across the west, grain crops concentrated in the south, livestock raised in the north, and coal production promoted throughout the region. This economic structure, which is characterized by mutual support and coordinated development of its industry, agriculture, and animal husbandry, has created favorable conditions for future economic and social development.

Generally speaking, our economic work in the last 40 years has seen steady success despite some mistakes and setbacks. Our experience, both positive and negative, can be summarized as follows:

First, we must follow the path of "relying on forestry and livestock breeding and diversifying the economy" in developing Nei Monggol's economy. This path is a summation of Nei Monggol's experience in economic construction, both positive and negative. Animal husbandry is Nei Monggol's strong, dominant industry. Vigorously planting trees and grass to develop pastures and animal husbandry is a basic strategic measure for regional economic development. On the basis of a developed livestock industry, we should set up commodity grain bases along the Huang He, Liao He, and Nei Jiang, where agriculture is suitable, and actively develop grain crops and diversified economic undertakings. We should actively develop local industries, including light industry, using local produce and livestock products as materials. At the same time, we should vigorously develop energy, communications, and other infrastructure industries. We should fully utilize our rich underground resources to develop coal, steel, rare earth, and other raw materials, semifinished materials production, and processing industries. We should make

various industrial sectors mutually supportive to bring about coordinated development.

Second, we must adopt more relaxed and flexible policies and measures to develop the regional economy. Since the 3d Plenary Session of the 11th CPC Central Committee, we have effectively implemented reform measures. We introduced quite early contracted responsibility systems for production with remuneration linked to output and contracted managerial responsibility systems in urban and rural areas in order to arouse the masses' initiative. Practice shows that more relaxed policies should be adopted to deepen reform of the rural, pastoral, and urban economies.

Third, we must develop lateral cooperation to exploit the region's rich resources by using the rich human, capital, and technological resources outside the region.

Fourth, we must uphold the policy combining self-reliance with state assistance. We must coordinate our efforts to vigorously support key state construction projects in Nei Monggol. We must exploit and develop our underground resources as soon as possible, particularly our coal and electric power resources, in order to transform them into tangible economic benefits.

Fifth, we must vigorously develop the commodity economy. First of all, we must enhance our sense of the commodity economy, train managerial and technical personnel, vigorously develop town and village enterprises, develop the livestock processing industry, increase the proportion of our products that can be sold in the market, raise economic returns, and enliven commodity circulation.

While developing the economy, we must also promote the development of culture, education, and science and technology.

### 3. We must strengthen unity among nationalities and strengthen and develop political stability and unity.

Strengthening unity among the region's various nationalities, between Mongolian and Han nationalities, within various nationalities, between the Army and the government, and between the Army and the people has always been a fundamental guarantee for the victory of our cause. The policy of "unity and construction" put forth by the regional party committee summarizes the experience of the region's 40 years of revolution and construction.

The key to unity among nationalities lies in strengthening inner-party unity and unity among the cadres of various nationalities, especially among leading cadres. Cadres of different nationalities must make themselves models of national unity. They must do more to promote unity among nationalities that is compatible with party spirit and policies.

### 4. We must actively train and use minority nationality cadres.

We have learned the following from our experience in training and using minority nationality cadres over the past 4 decades:

It is necessary to be fully aware of the importance of providing training for assigning jobs to minority nationality cadres. As the party relies on these cadres to carry out the work in regions inhabited by minority nationalities and maintaining contacts with the masses living there, it is of strategic importance to energetically train cadres of minority nationalities.

It is necessary to proceed from the needs of socialist modernization in providing training for and assigning jobs to minority nationality cadres. While training them in party and government affairs, it is also necessary to systematically teach them economic management, science and technology, and other specialized knowledge.

It is necessary to fully trust minority nationality cadres and boldly assign them jobs. In order to improve their skills in the course of practice, it is necessary to give priority in promotion and job assignment to minority nationality cadres with the same qualifications as those of Han nationality in accordance with the principles of the party's policy toward cadres. At the same time, it is necessary to attach importance to training and assigning jobs to Han nationality cadres and select people from all nationalities so as to harness the enthusiasm of all quarters and enable cadres of all nationalities to respect, trust, assist, and support each other and make concerted efforts to do a good job.

#### 5. We must proceed from the reality in Nei Monggol in formulating principles and policies suited to its actual conditions.

The fundamental principle for guiding the work in all fields in Nei Monggol is to uphold the party's ideological line of seeking truth from facts and proceeding from reality in formulating principles and policies suited to the nationality, regional, and economic characteristics of Nei Monggol, and in earnestly doing things according to its actual conditions and to the laws of nature and economic laws. As far as work methods and measures are concerned, it is necessary to adapt principles and policies to local conditions, offer guidance based on different circumstances, do things in an orderly manner and within our capability, and guard against mechanically copying rules and regulations and doing things uniformly.

#### Future Fighting Goals

Our general fighting goals until the end of this century are to further improve the economic structure with the characteristics of regional autonomy for minority nationalities and with the ability for self-development, and to at least quadruple Nei Monggol's gross industrial and agricultural output value over that of 1980 by vigorously promoting scientific and technological progress, developing the social productive forces, and increasing overall economic efficiency. With the people basically leading a well-off life, per capita annual consumption will approach 1,000 yuan; per capita annual net

income of herdsmen will reach 1,400 yuan, and of peasants will be over 800 yuan. With relatively big advances in cultural and educational undertakings and marked improvement in ecology, Nei Monggol will become a more united, prosperous, and civilized autonomous region of minority nationalities.

In order to realize these magnificent goals, it is of vital importance to continue to uphold the four cardinal principles; stick to the general principles of reform, opening to the outside world, and invigorating the economy; improve the system of regional autonomy for minority nationalities; and vigorously develop the social productive forces for economic construction. While promoting economic construction, it is also necessary to intensify the building of socialist spiritual civilization.

Let us hold aloft the banner of unity and construction under the correct leadership of the party Central Committee, display the spirit of working hard and relying on ourselves, harness the enthusiasm and creativity of the people of all nationalities in Nei Monggol, make determined efforts at reform, and advance courageously in order to accomplish the autonomous region's Seventh 5-Year Plan, promote its prosperity and development, and contribute to the motherland's modernization.

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CSO: 4006/872

## POLICYMAKERS REALIZING ROLE, IMPORTANCE OF BANKS

OW031948 Beijing XINHUA in English 1431 GMT 3 Aug 87

[Roundup: China's Thriving Banking Industry"--XINHUA headline]

[Text] Beijing, August 3 (XINHUA)--With the progress of the restructuring of China's banking system, more and more people, especially policymakers of various government departments, have realized the special role and importance of banks.

The reform of the banking system started eight years ago. Since then, the service items of banks have increased, interest rates have begun to play their functional role and credit forms have become more and more diversified. Besides, short-term money markets have been established to gather funds in a large and transregional way. Now, interbank loans have topped 30 billion rmb yuan (about eight billion U.S. dollars). Shenyang and Shanghai have started stock exchange services with the issuing of enterprise stocks and financial bonds.

Meanwhile, banking institutions have become more varied. Presently, China has 50,000 collectively owned credit cooperatives in rural areas and the number of urban credit cooperatives has topped 1,000. A number of multi-functional banks such as the communications bank have been reopened. Trust companies and other non-banking institutions have also mushroomed.

A breakthrough has been made in opening the banking business to the outside world. Chinese banking institutions have floated bonds in international money markets. As a state-run foreign currency bank, the Bank of China has set up more than 300 branches abroad and has established business relations with over 1,000 banks in more than 150 countries and regions.

In the past, the basic model of the Chinese banking system was the specialized service of different banks under the general guidance of the People's Bank of China. During the reform, the barrier has been removed. Now, the industrial and commercial bank also deals in foreign currencies, the agricultural bank has opened its doors to urban residents and the Bank of China has started a savings service for local Chinese currency. This has set off heated competition among Chinese banks.

Progress has also been made in bank management, which is becoming more and more enterprise-oriented. The reform has allowed the banks to have a more independent operation in services like deposits, loans and remittances. But at the same time, a bank has to be responsible for its own profits and losses. In case of poor management, it has to run the risk of bankruptcy. This experiment started in early 1986 in Wuhan, Shenyang, Guangzhou, Changzhou and Chongqing. Now it has extended to more than 20 other cities.

More significant is that the channels for economic construction funds have been diversified from direct allocation by the state financial organs to bank loans and investment. In 1978, financing through state allocation accounted for 76.6 percent of the total funds for capital construction, and bank loans made up only 23.4 percent. Last year, the percentage of the former decreased to 31.6 and that of the latter increased to 68.4.

Authoritative economists here say that China has made marked progress in the reform of its banking system. But they point out that in many respects, the banking industry lags behind the economic reform. So, carrying out the restructuring of the banking system in a deep-going way is still an important task.

They say it is encouraging that policymakers in quite a lot of local governments are paying more and more attention to banking. This change of concept can be regarded as a good foundation for further restructuring of the system, they note.

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CSO: 4020/252

## BANKING STATISTICS FOR SECOND QUARTER OF 1987

OW120548 Beijing XINHUA in English 0532 GMT 12 Aug 87

[Text] Beijing (CEI)--A report released by the investigation and statistics department of the People's Bank of China showed that, by the end of the second quarter, the amount outstanding of deposits in Chinese banks topped 588.621 billion yuan, the amount outstanding of loans was 722.461 billion yuan, the amount outstanding of deposits in rural credit cooperatives was 108.168 billion yuan and the amount outstanding of loans by rural credit cooperatives was 85.215 billion yuan. The state official gold reserve was 12.67 million ounces; foreign exchange reserve, 12.578 billion U.S. dollars; and the amount outstanding of state official overseas borrowings, 8.304 billion U.S. dollars. Following are the statistics in detail:

State Banking Receipts and Payments  
(Unit: Billion yuan)

Item	Amounts outstanding June 30
Total of various deposits	588.621
Enterprise deposits	280.712
Deposits of public finance	42.390
Deposits by government and other organizations	41.612
Savings, deposits in cities and towns	177.719
Deposits in rural areas	46.188
Liabilities to international financial organizations	15.365
Currency in circulation	113.539
Banking funds	94.002
Miscellaneous	37.663
Total amount of capital resource	849.190
Various loans	772.461
Loans to industrial enterprises	175.179
Loans to industrial supply and marketing enterprises and material sectors	43.981
Commercial loans	287.692
Construction loans	41.447
Fixed asset loans	107.633

Item	Amounts outstanding June 30
(Various loans continued):	
Loans to collectives	47.724
And self-employed businesses	47.727
Agricultural loans	68.805
Currency of gold reserve	1.204
Currency of foreign exchange	9.757
Assets in international financial organizations	17.520
Fiscal lending	72.655
Miscellaneous	5.593
Total amount of capital operation	849.140

Deposits and Loans Handled by Rural Credit Cooperations  
(United: billion yuan)

Item	Amounts outstanding June 30
Total of various deposits	108.168
Deposits by agricultural collectives	7.151
Deposits by rural enterprises	8.554
Savings deposits by individual peasants	90.324
Other borrowings	2.139
Various loans	85.215
Loans to agricultural collectives	6.088
Loans to rural enterprises	36.520
Loans to individual peasants	42.607

Exchange Rate, Gold and Foreign Exchange Reserve and State Overseas Borrowings

Items	1987		
	April	May	June
Exchange rate:			
One SDR (special drawing right) unit equivalent to renminbi yuan (by the end of)	4.8386	4.7887	4.7485
One U.S. dollar equivalent to renminbi yuan (the end of)	3.7221	3.7221	3.7221
One U.S. dollar equivalent to renminbi yuan (average)	3.7221	3.7221	3.7221
Gold reserve (1,000 ounces)	12670	12670	12670
Foreign exchange reserve (in billion U.S. dollars)	11.488	11.919	12.578
Amount outstanding of state overseas borrowings	7.927	8.068	8.304

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CSO: 4020/252

## BANKING INDUSTRY THRIVES SINCE RESTRUCTURING

OW120604 Beijing XINHUA in English 0554 GMT 12 Aug 87

[Text] Beijing (CEI)--With the progress of the restructuring of China's banking system, the number of banking services has increased, interest rates have begun to play functional roles and credit forms have become more and more diversified.

Money markets have been established to gather funds in a large-scale and trans-regional way. Now, interbank loans have topped 30 billion yuan. And Shenyang and Shanghai have started stock exchange services with the issuing of enterprise stocks and financial bonds.

Meanwhile, banking institutions have become more varied. At present, China has 50,000 collectively owned credit cooperatives in rural areas and the number of urban credit cooperatives has topped 1,000. A number of multi-functional banks such as the Communications Bank and Trust Bank have been set up or reopened. Trust companies, leasing companies and other non-banking monetary institutions have also mushroomed.

This has resulted virtually in a new banking system which, under the leadership of the Central Bank, combines diversified monetary organizations with the state-owned banks as the mainstays.

Also, a breakthrough has been made in opening the banking business to the outside world. Chinese banking institutions have floated bonds in international money markets to gather funds. As a state-run foreign currency bank, the Bank of China has set up more than 300 branches abroad and has established business relations with over 1,000 banks in more than 150 countries and regions.

Progress has also been made in bank management, which is becoming more and more enterprise-oriented. The reform has allowed the banks to have a more independent operation. But at the same time, as bank has to be responsible for its own profits and losses. The experiment in this respect was extended to 27 cities in early 1987. More significant is that the channels for production and construction funds have been changed from direct allocation by the state financial organs to bank loans and investment. Now, the various specialized banks have become important channels for gathering and distributing funds.

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CSO: 4020/252

## YUNNAN CONSIDERS VIOLATIONS OF FINANCIAL REGULATIONS

HK010751 Kunming Yunnan Provincial Service in Mandarin 1000 GMT 28 Jul 87

[Excerpts] Recently, the provincial statistical bureau and provincial department of finance recently jointly held in Kunming a meeting of responsible persons from different provincial organs as well as auditors and financial accounting personnel.

The meeting put forward measures for implementing the State Council's interim regulations regarding the handling of offenses against financial laws and regulations.

The meeting noted: Strengthening financial discipline is an important task aimed at promoting the current "double increase and double economy" campaign. The leaders and working personnel in some units recently violated financial laws and regulations by stealthily withholding financial revenues that should have been turned over to the state and by making fraudulent applications and claims for state appropriations and subsidies. Some of them have overstepped their authority by arbitrarily reducing or remitting taxes and by spending state treasury funds. In addition, some of them have violated regulations by squandering state funds. They have infringed upon the state interests and obstructed our successful promotion of reform.

The meeting noted: In the light of specific conditions, one of the following administrative disciplinary actions should be taken against those bearing direct responsibility for their units' violations of financial laws and regulations as well as such units' leading administrators; imposing fines, issuing warnings, and carrying out disciplinary dismissals. Those who have committed such violations that constitute criminal offenses must be resolutely punished according to the criminal law.

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CSO: 4006/875

## JINGJI GUANLI ON LIGHT INDUSTRY POLICY

HK100912 Beijing JINGJI GUANLI in Chinese No 7, 1987 (undated) pp 4-6

[Article by Liu Fengchang (0491 1496 2490), edited by Liu Qichang (0491 0366 2490): "The Policy of 'Six Priorities' for Light Industry Must Still Be Implemented--Starting the Discussions From the 'Bottleneck' of the Development of the National Economy"]

[Text] Everyone is now talking about the "bottleneck" problem in the development of the national economy. This is indeed a very important problem. What are the "bottlenecks" in the development of the national economy? Possibly, the unanimous answer is "energy, communications, and basic raw materials," since all are in short supply in the national economy. However, I have a different view, which is now presented for everyone's study and probing.

It is true that energy, communications, and basic raw materials are the weak links in the national economy and constitute a problem that must be resolved. But the prerequisite for resolving this link is that there must be an abundant supply of money. It is just as in the daily life of a household. If a household urgently needs to buy certain articles of daily use and does not first resolve the problem of money, it is helpless. Hence, in my opinion, money and funds are the "bottleneck" of "bottlenecks" in the development of the national economy. They really represent the major problem that must be resolved first. The history of the developed countries also illustrates this point. The primitive accumulation of capital, the flying high of Japan's current economy, and the upsurge of the "four small dragons" all started with resolving the problem of capital and funds.

Where should we start in resolving the problem of the sources of funds? Experiences over the more than 30 years since the founding of the PRC have verified that such heavy industries as energy, communications, and basic raw materials are industries that provide the means of production and services to the production of the end or ultimate products and their special features are that they require large investments but can make small accumulations. From 1952 to 1983, state investment in heavy industries amounted to 415 billion yuan, but during the same period these industries yielded to the state capital accumulations amounting to only 815 billion yuan; that is to say, for each yuan of state investment, over 32 years the accumulation amounted to only 1.956 yuan. It can thus be seen that they can hardly bear the heavy burden of

accumulating funds. Agriculture is the industry that solves the basic needs of the people's living. Whether in our country or in other countries of the world, it not only cannot accumulate funds but also must rely on state subsidies and support. Hence, of the whole national economy, only light industry (including light industry, textiles, grain and oils processing industries; same below) can provide the state with a large amount of capital accumulation. From 1952 to 1983, state investment in light industry in our country amounted to 56.5 billion yuan, but during the same period it delivered to the state taxes and profits amounting to 613.5 billion yuan; that is, the accumulation for each yuan of state investment amounted to 10.86 yuan.

In addition, light industry is a department that boasts of the largest foreign exchange earnings. Take for example the system of the Light Industry Ministry. Over the 37 years since the establishment of the PRC, the total foreign exchange earnings amounted to over \$50 billion; that is, for each \$1 of state investment, the return in foreign exchange was \$16.

However, over the past 30 years and more, this light industry "money tree" has for a long time never received really good care and support. In the 30 years since the founding of the PRC to the 3d Plenary Session of the 11th CPC Central committee, the industrial structure of our country has leaned heavily on the concept of stressing heavy industry and neglecting light industry. In the 26 years from 1953 to 1978, of the state's gross investment in industry, 90 percent was spent on heavy industry and only 10 percent on light industry. Following the 3d Plenary Session of the 11th CPC Central Committee, the party rectified the "leftist" errors, began to readjust the industrial structure, advocated the principle of greatly developing the production of consumer goods, enforced the "six priorities" supportive policy toward light industry, and advocated the guideline of "light industry depending on the localities." Under the guidance of this series of correct guidelines and policies of the CPC Central Committee, the localities' enthusiasm for developing light industry has been greatly aroused. During the Sixth 5-Year Plan, although investment in light industry under the state plan did not show a large increase, the various localities raised large amounts of funds outside the state plan for the development of light industry. Take for example the system of the Light Industry Ministry: The investment arrangements under the state plan amounted to only some 9 billion yuan, but the various localities raised more than 20 billion yuan outside the state plan for investment in light industry. This was more than 200 percent over the state's investment, or even larger than the gross amount (18.6 billion yuan) of the state investment in the system of the Light Industry Ministry in the 30 years before the 3d Plenary Session of the 11th CPC Central Committee. By far the greatest proportion of the input of these funds was on the transformation of old enterprises and the development of newly-rising industries and trades. During the Sixth 5-Year Plan period, over 7,000 enterprises (about 10 percent of the total number of enterprises) were transformed. In addition, newly-rising trades and industries such as the household electrical goods industry and the plastic products industry were developed, thus vastly changing the appearance of light industry; with the abundant material resources in the market, by far the great proportion of the supply of light industrial products governed by

the rationing system was abolished, and a good situation unprecedented since the founding of the PRC appeared in the light industry markets; and there was a large-scale increase in the accumulations provided by light industry system provided to the state accumulations of 137.3 billion yuan, averaging 27.5 billion yuan a year and equivalent to 380 percent of the average annual accumulations of 7.2 billion yuan before the 3d Plenary Session of the 11th CPC Central Committee. Development of light industry has brought about a benign cycle of the national economy.

However, during the last part of the Sixth 5-Year Plan, particularly in the last 1 or 2 years, light industry was again subjected to being crowded out and oppressed and showed signs of withering. This was principally manifested in the gradual loss of the industry's "ready source of money." Take for example the light industry system: The profit rate of its output value dropped yearly--in 1979, 13.39 percent; 1980, 13.01 percent; 1981, 11.33 percent; 1983, 9.97 percent; 1985, 9.86 percent; 1986, 8.73 percent; and in the 1st quarter of 1987, 6.75 percent. Should the profit rate of light industry drop to 15 percent, it would reach the profit and loss critical line (since out of the gross profits of the enterprises, there are other payments outside the scope of ordinary expenses such as salaries and wages of separated or retired employees, labor insurance premiums, expenses of schools for staff members' children, and so forth. And if the profit should continue its fall, then a situation of all-round deficit would appear. In such a case, light industry would not only fail in its functions of providing accumulations to the state, but also would be unable to maintain simple reproduction and would lose the conditions of existence and development.

According to statistics, the output value, profits and taxes, and foreign exchange earnings provided yearly by the light industry system to the state have been respectively 20 percent of the national total. The volume of commodities it has provided to the markets is about 35 percent of the total volume of commodities handled in the markets. Therefore, light industry's withering will produce tremendous effects on the national economy. In the past 1 or 2 years, our budget deficits have been increasing. One of the important causes is the consequence brought about by the shrinkage of light industry.

The basic causes for the drop in the profit rate of light industry are: Opening up of the agricultural and sideline products and the 100 percent rise in their prices; both the fixed or adjusted prices and negotiated prices of the means of production have also been doubled. On the other hand, for the sake of price stability, the prices of the great proportion of light industry's products cannot be readjusted.

In my opinion, the opening up of agricultural and sideline products necessarily calls for following up with readjusting the prices and not to do so cannot stimulate the development of production. But implementation of the "double-track system" for the prices of means of production has not produced ideal results. First, the expanded reproduction of means of production does not rely heavily on price stimulation. This is because expanded reproduction

of the means of production requires large investments, obtains slow results, and at the same time is restricted by external coordination conditions such as energy supply and communications and transport. Second, of the increased receipts from the sale at negotiated prices of the means of production, the great proportion has not been manifested in the form of profits for upward delivery but rather becomes a small cash reservoir for the enterprises, and except for the use of a small portion of them as production funds, by far the largest portion is converted into consumption funds. Moreover, a portion of the means of production at negotiated prices, following repeated "speculative sales and purchases," has become a source from which individuals and small groups reap excessive profits. On the other hand, the cost of materials purchased by the processing enterprises is wholly charged to the cost of production and thus directly reduces the profits for delivery to the state. This is one of the important causes for the loss of control over consumption funds and the large increases in the budgetary deficits of the state in recent years.

Restrictions on investments in light industry are the hidden cause for the industry's shrinkage and withering. As mentioned above, during the Sixth 5-Year Plan, there was no increase in the state's investment in light industry, and a large amount of the investments depended on the localities raising funds outside the plan. At present, the state has enforced the "three-maintaining and three-suppressing" policy. Investments outside the plan will be depressed and restricted and the guideline of "light industry depending on the localities" will fall short. The continuance of such a situation will deprive light industry of its stamina for development.

The third cause for the withering of light industry is that it has not been well fed and its plants have seldom been in full operation. In reality, the proportion of light industry's consumption of energy and raw materials is rather small. According to 1985 statistics, light industry's consumption of coal was only 15 percent of the gross coal consumption by whole industry; it was 21 percent in the case of electricity and 19 percent in steel products. Under the conditions of the tense supply of energy and raw materials, the state first of all ensures meeting the needs of the energy and raw materials industries; these heavy industries are renowned "big belly giants" in consumption. According to 1985 statistics, each 100 tons of coal, or 500 percent of that of light industry; it consumed 54.71 million kWh of electric power, or 430 percent of light industry, and 59.12 tons of steel products, or 500 percent of light industry. The result of such maintenance or ensuring work was the vicious cycle of the larger the deficit the greater the maintaining work add the greater the maintaining work the larger the deficit, while light industry became the object of crowding out and depression. The cause of the base investment figures in the plan being depressed, failure of the outside-plan funds to form a market, and many of the raw materials having a price but no market have led many light industrial enterprises to suffer from hunger, to have their plants run below full capacity, and to see their finances change from profit to loss. Under such conditions, how was it possible for light industry to make capital accumulations for the state?

Summarizing the above, I believe that many contradictions now confront the development of the national economy, that principal among these contradictions are the shortages in funds and in foreign exchange, and that only through resolving these major contradictions is there any possibility of forming a [word indistinct] cycle. At the same time, to resolve the problem of the shortages of funds and foreign exchange, it is necessary to do such jobs on this withering "money tree" of light industry as "enriching the soil," "applying fertilizer," and "watering frequently." Hence, I believe we should stress anew the guideline of greatly developing production of consumer goods, renew once again the emphasis on enforcing the supportive policy of giving light industry the "six priorities," again stress the guideline of "light industry depending on the localities," and make the necessary readjustment of the industrial structure. Therefore, I recommend the following:

1. In the reform of the price structure, we must plan comprehensively and pay attention to all sides. We must care for both agriculture and industry; the measures taken must be advantageous to the development of heavy industry and also advantageous to light industry's development; and the state's bearing capacity must be examined and the residents' ability to bear must be considered. We cannot afford to lose one side in an effort to win the other. We must, as soon as possible, formulate a comprehensive and all-round price reform program, in order to swiftly rectify the withering state of light industry caused by twisted prices and the situation of the state's rising budgetary deficits.

Taking a start from long-term effects, it is possible to adopt a round-about method, that is, of in the near future and temporarily depressing the construction scale of energy, communications, and the basic raw materials industries, slowing down their development speed, and using the limited funds, foreign exchange, and energy and raw materials resources to make priority arrangements for the development of light industry, particularly those industries, trades, and products capable of earning foreign exchange from exports? At present, on the international scene, the industrial structure is being greatly readjusted while corresponding readjustments are also being made in foreign exchange rates. Following the rise in value of the yen, South Korea's and Taiwan's currency exchange rates have also risen, and they are losing the strong points they enjoyed in textile exports. This is a challenge to and also offers an opportunity to us. If only the state can give light industry a helping hand in respect of funds and foreign exchange and step up the improvement and replacement of its products, it is quite possible for our country to display its strong points in low labor expenses, expand its export trade, and increase foreign exchange earnings. By so doing, the whole light industry will be led to thrive and prosper. With the thriving of light industry and the "money tree" regaining its strength, the state's funds and foreign exchange reserves will increase. We then should return and step up the development of the energy, communications, and basic raw materials industries.

3. The management structure of the energy, communications, and basic raw materials industries should likewise be reformed. At present, this type of a

highly centralized management structure can very easily bring about a state of "everybody eating from the same big pot" in distribution and supply and is disadvantageous to rousing the enthusiasm of the localities and the various sides. In particular, with regard to electric power, under the conditions of the state alone handling power generation and hundreds of thousands of households using electric power, it is very difficult to ease the tense situation of power supply. Would it be possible to consider changing the practice of "everybody eating from the same big pot" to that of "eating in separate kitchens," that is, to split up the large power networks by provinces and whoever uses power must take up power generation and whoever generates more power can use more power, with the role of the state confined to providing appropriate subsidies? On the basis of power generation and power consumption in "separate kitchens," between the power networks of the provinces the principles of exchange at equal value may be resorted to in adjusting each other's surpluses and shortages. Within the same province or region, the same method may also apply in redistribution. This will fully arouse the enthusiasm for power generation on the part of the various localities and sides.

In addition, as energy, communication, and basic raw materials industries are the major points in construction, protecting them or ensuring their fulfillment is necessary but this does not mean any single party "contracting for" or taking charge of the full responsibility for their development. The current method of working is for the state to take complete charge: Construction investments use funds that are state appropriations or bank loans in lieu of direct appropriations, production uses raw materials at parity prices, and there is no pressure on repayment of funds or interest payment thereon and no lurking fear of competition; money spending is inclined to be lavish and use of materials can easily deteriorate into waste and extravagance. As a result, plans and budgets have frequently been exceeded. Hence, it is recommended that from now on, whether a project is major or non-major, construction investment in it should be in the form of a bank loan, requiring principal repayment and interest payments. In production, energy resources and raw materials of a unitary price should be used in order to reduce waste and extravagance and improve benefits.

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CSO: 4006/872

## VICE MINISTER ON IMPORTANCE OF RURAL ENTERPRISES

OW020045 Beijing XINHUA Domestic Service in Chinese 1447 GMT 30 Jul 87

[By reporter Zhou Yichang]

[Text] Beijing, 30 Jul (XINHUA)--In the 8 years since the 3d Plenary Session of the 11th CPC Central Committee, China's total product of society has showed a net 1/4 increase, and more than half of the net increase in total rural product of society is attributable to the village and town enterprises. This was revealed by Xiang Chongyang, vice minister of agriculture, animal husbandry and fishery at a news briefing today. Village and town enterprises have become a vital force behind the development of China's national economy.,

It is rural reform that has brought about the rapid development of China's village and town enterprises. Having maintained an output value growth rate of more than 20 percent for many years now, these rural enterprises continued to register a large increase in their output value in the first half of this year. Compared with the same period last year, China's rural enterprises realized an increase of (?35) percent in total output value, 37 percent in gross income, 30 percent in tax payments to the state, and 14 percent in profits.

The rapid development of the rural enterprises has contributed significantly to he development of the rural economy and the national economy as a whole.

Through agricultural accumulations and with support of the state's policies and assistance from the banks and credit cooperatives in the past 8 years, China's rural enterprises are now in possession of 119.6 billion yuan in fixed assets. They have employed 79.45 million people from the rural surplus labor force. This has not only increased the incomes of the peasants but also provided large amounts of capital for agricultural production. According to statistics, 20 percent of the net income increase made by the peasants between 1978 and 1986 came from the increase made by them in the rural enterprises. In some localities where rural enterprises are more developed, disparity is clearly diminishing between industry and agriculture, between urban and rural areas, and between mental and physical labor. In a few of the localities, the peasants are making more income than people in the cities and are becoming well-off.

During the past 8 years, the rural enterprises have accounted for 25 percent of the net increase in China's total product of society, 28 percent of the net increase in its total industrial output value, and 57 percent of the net increase in its total rural product of society. In these 8 years, taxes paid directly to the state by the rural enterprises have been increasing at an average annual rate of 30 percent and represented around 14 percent of the net increase of state revenues for the same period. They have accumulated more than 140 billion yuan for China's socialist construction. Practice shows development of the rural enterprises is the inevitable road to invigorate China's rural economy.

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CSO: 4006/875

## RURAL INDUSTRY PROVIDES BASE FOR ECONOMIC GROWTH

HK050146 Beijing CHINA DAILY in English 5 Aug 87 p 1

[Text] The economic reforms of the past eight years have helped China's rural industry develop into a principal economic sector in the countryside.

From 1979 to 1986, rural industry contributed 25 percent of the increases in China's gross domestic product and 57 percent of the increases in its gross rural domestic product, according to Xiang Zhongyang, vice-minister of agriculture, animal husbandry and fishery.

The total output value of the country's rural industry increased by 35 percent in the first half of this year, compared with the same period last year.

In the previous few years, the total output value increased by more than 20 percent annually.

In the past eight years, 20 percent of the increases in farmers' incomes came from rural industry.

In the eight years, the country's rural industry created 79.45 million jobs for surplus rural labour and increased the value of its fixed assets to 116.6 million yuan.

The rural industry in the southern part of Jiangsu Province, one of the pioneering areas for such industry in China, has registered rapid development in the past eight years, FARMERS' DAILY reported.

The area's rural industry increased by 34 percent in output value annually from 1979 to 1986. Last year, 12 counties in the area had a total output value of 29 billion yuan, making up 71 percent of their gross rural domestic product.

The rural industry in seven counties exceeds 2 billion yuan in output value each. Wuxi County, with an output value of 4.5 billion yuan, has ranked the first in the country for three years.

Now products of the local enterprises are available in 70 percent of China's cities and towns.

The expansion of rural industry has also helped improve farming. In the past eight years, the area has used 1.1 billion yuan from rural industry to support farming. The amount is four times that of the State's investment.

During this period, the revenue of the 12 counties increased by 15 percent annually. Of the total, taxes from rural industry increased by 25.2 percent annually.

The development of rural industry has also helped employ surplus rural labour and increased farmers' incomes. At the moment, the area has 3.36 million people who have turned from farming to industry. The number accounts for 65 percent of the total rural labour force in the area.

The average annual income of the local people has increased to 728 yuan, 4.8 times the figure for 1978.

Another product of the development of rural industry is the expansion of small towns. Now each town in the area has more than 20 industrial enterprises. The total population in towns has increased from 1 million to 2.5 million, one-quarter of the area's rural population.

In a commentary, FARMERS' DAILY urges the country's rural enterprises to improve their technology, equipment and management and to achieve better economic results.

The State financial departments should further reform the tax system so as not to collect too much from rural industry, the newspaper says. All departments, institutions and organizations should offer concrete support and stop the practice of "taking something from rural enterprises," the paper said.

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CSO: 4020/252

## TOWNSHIP ENTERPRISES DEVELOP RAPIDLY

HK040221 Beijing RENMIN RIBAO in Chinese 31 Jul 87 p 2

[Report by Ling Zhijun (0407 1807 6511): "The Development Rate of Township Enterprises Is Beyond Expectations"]

[Text] Beijing, 30 Jul--In the first half of this year, a further upward trend appeared in the development of China's township enterprises, which have increased at a rate of 28 percent over the last 8 years. In comparison to the same period last year: Total income increased by 37 percent; industrial output by 35 percent; taxes delivered by 30 percent; and profits by 18 percent. When meeting foreign guests recently, a central leading comrade said: The best achievement in rural economic reform is the rapid development of township enterprises, which is characterized by a continuous increase of over 20 percent for several years. The growth rate in the first 5 months was even higher. This was beyond our expectations.

Over the last 8 years, without the support of state investment, township enterprises have formed fixed assets totaling 119.6 billion yuan by relying on agricultural accumulation and state policies, and have absorbed 79.45 million rural laborers. From 1978 to 1986, 25 percent of the net increase in the total social output value, 28 percent of the net increase in the total industrial output value, and 57 percent of the net increase in the total rural social output value came from township enterprises. During these 8 years, taxes delivered by township enterprises to the state increased by 30 percent annually, 14 percent of the net increase in state revenues during the same period. Township enterprises accumulated 140 billion yuan for the country's socialist construction. The increase in income made available by township enterprises for the peasants accounted for 20 percent of the net increase in the peasants' income during the same period. The development of township enterprises has also provided a large fund for agricultural production. The difference between industry and agriculture and between urban and rural areas is beginning to narrow in some regions where township enterprises have been developed.

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CSO: 4006/875

## TOWNSHIP, TOWN ENTERPRISES DEVELOP

HK140656 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0250 GMT 12 Aug 87

[Roundup by Reporter Jing Xiaolin (2529 4562 2651): "A General Review of the Development of Township and Town Enterprises in China"]

[Text] Beijing, 12 Aug (ZHONGGUO XINWEN SHE)--In a recent talk, China's leader Deng Xiaoping described the startling development of township and town enterprises as the most abundant harvest, beyond expectation, in the rural reform.

In 1986, China's township and town enterprises entered a new historical era in their development during the past 30 years or so. It was the first time that the gross output value of township and town enterprises exceeded gross agricultural output value, and began to be the principal industry in the rural areas in China. During the first half of this year, the gross output value of township and town enterprises and the tax revenue turned over to the higher authorities in China rose by over 30 percent over the corresponding period last year, and the tendency to increase by a big margin is being maintained.

Tracing their history of development, we will find that China's township and town enterprises began to germinate as early as during the period of the agricultural cooperative movement in the 50's. At that time, handicraftsmen were engaged in simple sideline production in the rural areas. However, under the influence of the "leftist" policy, township and town enterprises encountered all kinds of hardships and difficulties in the course of their development.

At the end of the 70's, the township and town enterprises in the southeastern regions which were economically flourishing took the chance to rise abruptly in the rural economic reform. Afterwards, the township and town enterprises in Jiangsu, Zhejiang, Jiadong and Liaodong peninsulas, and areas such as Beijing, Tianjin, and Shanghai developed rapidly like bamboo shoots after a spring rain. Up to now, the number of township and town enterprises in China has amounted to over 15 million, and their fixed assets value some 110 billion yuan.

In as little as 8 years' time, the township and town enterprises have scored achievements which draw people's attention.

According to the statistics of the Ministry of Agriculture, Animal Husbandry and Fisheries, China's township and town enterprises have already absorbed a surplus of 79 million workers from the rural areas. These peasants who were tied to the fields for generations have displayed their skills to the full in various sectors, such as industrial, transportation, construction, commercial service, and so on. Their products accounting quite a large proportion of the same type of products in the whole country.

The development of township and town enterprises has invigorated the rural economy, which remained stagnant for some time. During the past [number indistinct] years, more than half of the net increase in gross output value in China's rural society came from township and town enterprises, and peasants' income which rose in response to the increase in the output value of township and town enterprises accounted for 20 percent of the net increase in peasants' income over the corresponding period. In some areas where township and town enterprises are developed well, peasants have higher income than people in the city, and have become comparatively well-off.

Besides, township and town enterprises have brought about profound changes to the traditional ideas of hundreds of millions of peasants. A large group of peasant entrepreneurs who are good at operation management have shown their talent, and become capable of ridding themselves of poverty and getting rich in the rural areas.

What is even more gratifying is that these township and town enterprises which were established and developed in the native soil of the rural areas have advanced with giant strides towards the world. Despite the competition of various car businesses in the country, the crosshead bearing and universal joint manufactured in Zhejiang are the first to break into the international market. Prizes were awarded to the movable reduction gear manufactured in Jiangsu, and the Aihua Brand bra of Fujian at successive international fairs one after another.... According to statistics, there are more than 10,000 township and town enterprises manufacturing export products, over 2,000 kinds of products were sold abroad to nearly 100 countries and regions, and \$4.4 billion dollars were earned up to the end of last year.

In discussing the occurrence of township and town enterprises in China, the media circles in Beijing said that their significance is not restricted to the development of the rural economy, the increase of peasants' income, the accommodation of the surplus labor in the rural areas, the inculcation of the idea of modern economy into the mind of the peasants, or the reduction of the difference between the urban and the rural areas; but lies more in the fact that they are a new trial in exploring socialist agricultural modernization and industrialization with Chinese characteristics. Of the 1 billion population of China, 800 million are peasants. In this way, how can the country be rich and strong if the rural areas are not rich?

The state supports the township and town enterprises. It is learned that the state allocates 300 million renminbi to township and town enterprises every

year as liquid cash, and the amount of bank loans granted to township and town enterprises increases year by year.

There are also some problems arising during the development of township and town enterprises. A series of problems, such as damage to resources, and environmental pollution, which cause great trouble to people have slowed the pace of development of township and town enterprises to a certain extent.

In order to eliminate factors unfavorable to the development of township and town enterprises, departments concerned are enthusiastically enforcing measures and find the way out. Zhang Yi, the Deputy Director of the Township and Town Enterprises Bureau under the Ministry of Agriculture, Animal Husbandry and Fisheries said that they are now accelerating the pace in formulating of a series of measures and methods for strengthening the management of township and town enterprises, which will be put into effect one after another soon.

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CSO: 4006/875

## LIAOWANG STRESSES DEVELOPING TERTIARY INDUSTRY

HK311544 Beijing LIAOWANG in Chinese No 29, 20 Jul 87 p 5

[Article by Xie Shixian (6200 4258 6056): "Thoughts Induced by the Rise and Fall of the Rural Tertiary Industry"]

[Text] As revealed by a survey, the rural tertiary industrial output value of Hebei Province and its employment rate increased respectively by 17 percent and 33.5 percent annually during the Sixth 5-Year Plan. But a downward trend began to appear in 1986, with a drop of 12.7 percent in the province's rural tertiary industrial output value. Now the output value is still tending downward.

Except in a small number of provinces, including Guangdong, the rural tertiary industry began to experience a downward trend in most provinces, cities, and autonomous regions last year. We cannot but pay attention to this. People in economic circles are generally of the opinion that the shift of the rural economy from a super-regular to a regular growth and the shortage of energy have all restricted the development of the rural tertiary industry. But fundamentally speaking, the cause lies in the lack of understanding of the importance and urgency of developing the rural tertiary industry.

As pointed out by Nobel prize winner and famous American economist Lewis, the weakest and most backward link in China's economy is the tertiary industry, and if China does not make great efforts to reform and develop the tertiary industry, it is bound to be a drag on the development of the first and secondary industries. These remarks are quite reasonable. As indicated by contemporary world economic history, when the value created by the people employed in the tertiary industry accounts for 30 to 50 percent of the total output value of the national economy, the entire economic relationships are in balance; otherwise, the entire economy will operate with low efficiency.

Take Hebei Province as an example. As its communications, transportation, and postal service are seriously backward, they have constituted a factor like a "bottleneck" in the development of the rural economy. A survey has revealed that the province's railway transport capacity can meet only 30 to 40 percent of the rural needs. In such cases, some rural products cannot be transported out of the countryside and what is needed by the countryside cannot be transported in. As to providing various types of information and services, this still remains in the initial stage in the province. Objectively, it

hampers the process of carrying out rural production in specialized units and the socialization of rural production.

As some economists remarked, during the Sixth 5-Year Plan we concentrated our efforts on adjusting the disproportion between the means of consumption and the means of production in the first and secondary industries, thus promoting the growth of the national economy. During the Seventh 5-Year Plan and in our future economic work, we should concentrate our efforts on solving the disproportion between the tertiary industry and the first and secondary industries, and take the development of the tertiary industry as an important strategic task. Apart from increasing investments, the state should, more importantly, further relax its policies so as to bring into better play the initiative of people in various fields in developing the tertiary industry.

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CSO: 4006/875

## BRIEFS

QINGHAI SHORTAGE OF TECHNICIANS--According to JINGJI RIBAO, statistics from the Qinghai provincial talent exchange services center show that at present Qinghai has over 30,000 township and town enterprises, which employ 143,000 people. However, only 1,000 of these are science and technology personnel. On average, there is only one to every 25 of these enterprises. The whole workforce includes only 94 people with college education. In addition, the distribution of the science and technology personnel in these enterprises is irrational. Most of those with college or secondary technical education are to be found in Xining City and Haidong Prefecture, and there is not a single college graduate in township and town enterprises in the remote parts of the province. At present, the township and town enterprises in qinghai are in urgent need of science and technology personnel. It is imperative to solve this problem. [Text] [Xining Qinghai Provincial Service in Mandarin 0430 GMT 2 Aug 87 HK] /6662

SHAANXI COMMISSIONER, MAYOR MEETING--The provincial conference of prefectural commissioners and city mayors concluded on 25 July after 6 days in session. The meeting summed up and exchanged experiences in developing township and town enterprises and formulated some policies and measures for supporting these enterprises. Governor Zhang Boxing chaired the concluding session. Vice Governor Zhang Bin delivered a summation. He said: This meeting has focused on studying the development of township and town enterprises. The leaders at all levels must, in accordance with the demand of the provincial party committee and government, enhance understanding, do their work in a sound way, and strive to fulfill a total output value of 8 billion yuan from these enterprises this year, 10 billion next year, 14 billion in 1990, and 30 billion yuan in 2000. With the township and town enterprises developed and the rural economy invigorated, the province's entire economy will improve. [Text] [Xian Shaanxi Provincial Service in Mandarin 2330 GMT 25 Jul 87 HK] /6662

PRODUCTION OF RURAL ENTERPRISES--Beijing (CEI)--The total annual output value of China's rural enterprises has reached 100 billion U.S. dollars and is expected to hit 1,000 billion in ten years' time. This was predicted by Song Jian, minister of the state science and technology commission recently. Minister Song said the goal could be achieved through the training of more people in the rural areas. The commission originally planned to train one million young residents in rural areas in practical techniques in the coming

five years, Song noted, yet only last year the country trained 1.6 million. This is part of the "spark" program now being developed in China by the commission to accelerate economic development in rural areas. The plan is designed to increase productivity in rural areas and to help use their spare labor force and funds to run rural enterprises, and spread the use of new technology and materials, Song said. The Central Bank invested 300 million yuan last year in rural enterprises, according to the minister. But the amount locally funded reached 2.3 billion yuan to fund projects under the plan. What is more, Song added, more and more technicians in cities have been volunteering to serve in rural industries. [Text] [Beijing XINHUA in English 0634 GMT 5 Aug 87 OW] /6662

CSO: 4020/252

## NEW COMMODITY HOUSING CREDIT SYSTEM TRIED

HK100847 Beijing JINGJI GUANLI in Chinese No 7, 1987 (undated) pp 27-28

[Article by Liao Shuhui (1675 2562 8748) and Xie Yiwen (6200 3015 2429): "A New Form of Commodity Housing Credit"--edited by Lin Daojun (2651 6670 0689)]

[Text] Commodity housing credit is the product of the union of currency structure reform and residence commercialization reform, and is also a new development in the banking business. The residence savings deposits and residence special loan businesses initiated by the Guangzhou City branch of the Construction Bank constitute a new form of commodity housing credit.

Residence savings deposits and residence special loans have two major special features: 1) Combination of loans and savings. For the sake of buying commodity housing, the depositor deposits money in the Construction Bank. When the depositor's residence savings deposits reach a fixed percentage (60 percent in the case of unit depositors or staff members and workers of units, and 70 percent in the case of other individual depositors) of the house purchasing price, and after the deposits have been made for over half a year, the depositor may apply to the Construction Bank for a loan and thus realize in advance the purchasing power of the residence. After taking over the house, the depositor may repay the loan by installments. 1) Fixed directional opening and fixed directional selection and purchase of commodity housing. The Construction Bank and its cooperating housing development company are dutybound to publicly announce to depositors the housing projects for "fixed directional opening" in order to facilitate the depositor's fixed directional selection and purchase; following completion of the building projects, they must carry out, according to plan, the fixed directional supply to the depositors.

At present the Construction Bank Guangzhou branch office has provided two phases of commodity housing for the depositors' selection and purchase, and has achieved good results. The first phase, commencing 9 October 1986, comprised 393 units of commodity housing, occupying an area of over 26,000 square meters, which were made available for depositors' selection and purchase. The selling price was between 600 to 1,260 yuan per square meter of construction area. By 18 February 1987, 117 units had opened savings accounts, 220 residences had been purchased, savings deposits amounted to 5.5165 million yuan, and the amount of loans had reached a total of 4.161 million yuan. On 28 February 1987, 441 more residences, occupying over 35,000

square meters of land, were provided as commodity housing for depositors to select and purchase, and the selling price was between 655 to 1,240 yuan per square meter of construction area. By mid-April, 85 households had opened savings deposit accounts, 102 residences had been purchased, the volume of savings deposits amounted to 3.6135 million yuan, and the amount of loans granted, 1.839 million yuan.

This new form in commodity housing credit of residence savings deposits and residence special loans has in actual practice demonstrated its active significance:

1. Beneficial to putting the bank's role of centralizing funds into full play and to opening up the sources of funds in commodity housing construction. At present, Guangzhou City's residential commodity market is still mainly a sellers' market, and the situation of supply lagging behind demand is extremely serious. In order to expand the production scale of commodity housing, increase the supply of commodity housing, and ease the contradictions arising from the tension in supply, the key lies in increasing funds for commodity housing construction. Financial appropriations from the state constitute one source of funds but under the current tense national budget situation, it is not possible to demand an even larger amount of commodity housing construction funds from the state. Special loans from banks also constitute another source. But Guangzhou City's 1986 target for "land development and commodity housing loans" was only some 80 million yuan and, according to the comprehensive building cost at 500 yuan per square meter, each year only 1.6 million square meters of commodity housing can be built. There are obvious difficulties in increasing the loan target. The only way is to wait for repayment of loans, to loan out again. But the normal turnover time for commodity housing construction funds is as long as once every one and a half year. At present, with the banks initiating the residence savings deposits business, idle funds are extensively absorbed, "petty sums" are accumulated into "big sums" for use to satisfy the needs of commodity housing construction funds turnover. This thus provides a new source of funds for commodity housing construction and can, to a definite extent, expand the production capacity of commodity housing and ease the tense situation of supply lagging behind demand in commodity housing.

2. Beneficial in displaying the banks' role of merging funds, and increasing the purchasing power for commodity housing. In initiating the residence special loans business and supporting the depositors in house-buying who cannot produce sufficient cash for the time being, the general purchasing power for commodity housing can be increased. At the moment, in the buying and selling of houses in Guangzhou City the prevalent method is "paying cash with one hand and taking delivery of the house with the other," or "delivering money first and taking delivery of the house subsequently." Assuming that a young couple wishes to buy a housing unit with one bedroom and one parlour, the estimates are: The price of Guangzhou's commodity housing is around 1,000 yuan per square meter: at this rate a small unit of some 40 square meters will cost 40,000 yuan. This 1,100 percent of the average annual salaries or wages of a Guangzhou City couple in 1986. Hence, a pure wage-earner's purchasing

power in commodity housing is very low indeed. By means of this credit form, the Guangzhou branch of the Construction Bank solves the problem for general staff members and workers in making installment payments: the depositor needs only save up cash funds amount tot 60 to 70 percent of the housing unit's price and he can obtain a loan equivalent to 30 to 40 percent of the unit's price. Thereby, conditions are provided for the staff members and workers to realize in advance the purchasing power for the housing unit.

3. Beneficial to displaying the lever role of the credits and loans by banks and generally promoting the coordinated development of the supply, production and sale or commodity housing. In instituting the residence savings deposits and residence special loans businesses, the Guangzhou City branch of the Construction Bank plays the role of middleman; helps to implement the principle in commodity housing of "fixing production according to sales;" promotes close linking of the three stages of supply of commodity housing construction funds, production of commodity housing and marketing of commodity housing; enables smooth circulation of housing industry funds; and increases the economic benefits. For example, the Guangzhou City Housing Management and Repairs Engineering Company, when undertaking the development of Xiaoma Station residential building block, found that it was 980,000 short in building funds. It then signed an "agreement on instituting residences savings deposits and residences special loans" with the Guangzhou City branch of the Construction Bank, jointly announcing the project of developing residential buildings on Xiaoma Station. The Guangzhou City branch of the Construction Bank agreed to loan the company the sum of 980,000 yuan as circulating funds. At the same time, depositors subscribing to the purchase of 20 units of commodity housing in Xiaoma Station, opened deposits accounts in the construction bank amounting to 1.1022 million yuan. On completion of the Xiaoma station housing project, the Guangzhou Housing Management and Repairs Engineering Company can regain the building cost price of 1.1022 million yuan and repay the principal and interest on the loan of 980,000 yuan from the Guangzhou branch of the Construction Bank.

4. Beneficial to displaying the banks' regulating role over the social consumption structure and to rationally leading the direction of low of consumption funds. In the living consumption structure of staff members and workers in our country, the current payment for residential expenses occupies about 2 percent of the gross monthly income of each staff member or worker, being even lower than the 5 percent level in the 1950's. In recent years, the standard of living of staff members and workers has been continuously improved and the living and consumption structure has also changed greatly. The institution of residence savings deposits and residence special loans by the Guangzhou branch of the Construction Bank has absorbed the residents' actual purchasing power and potential purchasing power for commodity housing, indirectly regulated the social consumption structure and displayed an active role in guiding the rational flow of consumption funds. In raising the funds for house purchasing, the funds and expenses in preparation for the purpose becomes an important outlay of the depositors who will have to correspondingly reduce other living expenses, and this will thus form a mechanism for the self-restriction of other consumption outlay. The appearance of such a

mechanism is likewise beneficial to depressing the inflation in other consumption expenses.

5. Beneficial to displaying the banks' functions of supplying information and answering inquirers, facilitating the depositors' purchases of commodity housing and speeding up the fruition of commodity housing transactions. In instituting the residence deposits and loan businesses, the bank has to print and distribute publicity materials, call discussion meetings, and do advertising work. This simplifies the buying and selling business in the commodity benefits [she hui xiao yi 4357 2585 2400 4135]. In the past, when residents wished to buy residences, each and every one of them had to go to the housing development companies to liaise; only after making a careful comparison could they decide where to buy and what type of housing to buy. Now all they have to do is to visit the Construction Bank and from there they can obtain a complete understanding of the condition of the commodity housing market, and thereby the time required for the consummation of a transaction can be greatly shortened.

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CSO: 4006/872

## FIRST DATA PROCESSING JOINT VENTURE ESTABLISHED WITH U.S.

Shanghai SHIJIE JINGJI DAOBAO in Chinese 27 Apr 87 p 2

[Article by Beijing correspondent Fan Muping [5672 1970 1627]: "The Beijing International Information Processing Co Ltd is Established; China's First Joint Venture to Emphasize High Tech Services Including Data Processing and Communications; Jointly Run With a Corporation Under Chinese Government Administration; All Profits Earned by The Foreign Investor During the First Five Years Will Be Reinvested in the Company"]

[Text] Another joint venture was established in Beijing on 23 April. Unlike other joint ventures, it is China's first in high tech information and communications services. It is also the first joint venture in which a corporation under Chinese government administration is a partner and the first in which the foreign partner pledges to reinvest in the venture all the profits it earns during the first five years.

The joint venture was created by Electronic Data Systems (EDS), the largest data processing company in the US, and the Beijing Information Processing Corporation which is under the administration of the Beijing Municipal Government. The venture, called the Beijing International Information Processing Co Ltd, uses the most advanced technology available internationally.

At a press conference held on the afternoon of the day of the announcement, EDS Senior Vice President Gary J. Fernandes responded candidly to a questions posed by this reporter, saying that EDS naturally wants to make a profit, but the company decided to reinvest its profits because they want to establish a long-term relationship with China and also because they have great confidence in the future of the joint venture. The reason for his confidence is that in order for China to modernize, it must accelerate the growth of production, improve management, and utilize information systems. EDS has not only high-quality service, but also the capability to adapt to diverse environments in different countries. The short-term goal of the venture is to provide high-quality service and to help Chinese specialists master data processing and management techniques.

After the press conference a reporter asked Ou Qiaozhi [2962 0829 3112], EDS development division manager (China) and representative during the

negotiations what he found most difficult during the 15 months of negotiations. He answered if there were any difficulties, it was in understanding each other. The different cultures, traditions, and work styles of the partners made mutual understanding the biggest problem.

He told reporters that during the negotiations he was deeply impressed with the enthusiasm and strong negotiating abilities of his Chinese counterpart. During the 15 months of negotiations the two had frequent confrontations in which each argued strenuously for his own point of view. However it was through these confrontations that the two came to understand each other. This situation is similar to that of a new couple arguing vigorously before marriage. The more they argue the more deeply they understand each other. The more they argue before marriage, the more stable and satisfactory their marriage will be. If not, there will be no alternative but divorce.

When asked what the two partners would do when the thirty year agreement expires, Mr. Ou answered without the slightest hesitation that we will have to begin again with a new and better joint venture. He said in jest "That time is still a long time away and I won't be around then, but I have a daughter and a son." The reporter said, "Then let your son succeed you." Mr. Ou answered "Perhaps my daughter will take over, who knows?" Everyone laughed.

12369  
CSO: 4006/678

## STATE INCREASES LOAN ALLOCATIONS FOR LIGHT EXPORTS

Beijing GUOJI SHANGBAO in Chinese 5 May 1987 p 1

[Text] Through 1987, relevant departments at the central level have decided to increase the allocation of interest-bearing loans to 400 million yuan. Next year, allocations will continue to be made with this year's 400 million yuan figure as a base. The allocations will support the production of light industrial exports.

Different categories of awards have been determined for some light industrial products that have undergone advanced processing. The portion of foreign exchange that enterprises are allowed to retain have also been increased. During the Seventh 5-Year Plan, enterprises producing exports will be allowed to retain an average of 4 percent more of their foreign exchange earnings than the state currently allows. The amount of increase in foreign exchange retentions will differ among enterprises and will depend on their trade and type of export product. The increased foreign exchanged retentions should be used primarily for the technological upgrading of enterprises engaged in exporting and on imports of badly-needed raw materials used in the production of exports.

Enterprises invested in by foreigners will be allowed to import a small number of necessary spare parts. Enterprises engaged in manufacturing and having difficulty selling complete sets of equipment will be allowed to apply for a waiver of the import duties and value-added taxes associated with importing.

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CSO: 4006/678

## GUANGXI FIRST QUARTER EXPORTS REACH RECORD HIGH

Beijing GUOJI SHANGBAO in Chinese 5 May 87 p 2

[Article by staff correspondent Nan Dingxun [0589 1337 6061]]

[Text] The value of Guangxi's foreign trade reached US \$150 million during the first quarter, almost double figure for the same period of 1986. This figure is 32.6% of the plan set down by the state and is the best first quarter performance ever.

Exports of most of the important export commodities increases fairly rapidly. Among these commodities, exports of top grade rice more than quadrupled, exports of granulated sugar tripled, exports of Chinese cinnamon more than doubled, exports of gunnysacks increased more than eleven times, exports of auricularia auricula-judae fungus more than doubled, and exports of down products more than tripled. No tapioca leaf was exported during the first quarter of 1986; but more than 30,000 tons were exported during the first quarter of 1987. Exports of than 60 other commodities, including xianxia, shatian you, clothing, firecrackers and fireworks, bamboo products, paper, rosin, work gloves, furniture, lithopone, and smelted tin products, increased markedly. Export growth for products of the light, textile, silk, chemical, machine and other industries than it was for agricultural sideline industries. Among these, exports of handicraft products more than tripled, while exports of testiles and products of light industry more than doubled. Exports of machinery more than tripled while export of silk products increased by more than five times. This is unprecedented.

Guangxi, on the basis of its summary of the last year's foreign trade experience, and according to the requirements of the central leadership and of the State Council concerning boosting production and conserving resources throughout China, is depending chiefly on expanding exports to earn foreign exchange and on improvinng economic benefits. The two axioms of this plan are establishing an export production system and to opening up the international market. Specific measures to achieve these goals are being studied. A great deal of preparation has been done in all areas, including general policies and specific management decisions, from purchasing to clinching a deal, from packing to delivery, and from normal business operations to the commodity itself, in order to reverse the passive situation of "easygoing at the beginning of the year and a lot of pressure at the end of the year."

Presently, purchasing and selling units are adopting vigorous measures to release untapped potential, to improve management practices, to implement the export economy contract responsibility system, to strengthen economic accounting, strengthen construction of the export production bases, develop export specialized factories and specialized workshops, obtain a good price in the international marketplace and improve economic benefits.

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CSO: 4006/678

## HIGHEST EXPORT EARNINGS EVER IN SICHUAN DURING FIRST QUARTER

Chengdu SICHUAN RIBAO in Chinese 27 Apr 87 p 1

[Article by Jin Maoting [7246 5399 1656], "Sichuan's Foreign Exchange Earnings From Export Are Gratifying; Foreign Exchange Earnings From January to the First Week of April Were Unprecedented for This Period; Foreign Exchange Earnings For Seven Major Products was 40 Percent of That Planned for the Year"]

[Text] On the heels of the marked advances in foreign trade last year, Sichuan registered an unprecedented growth in foreign exchange earnings during the first quarter of this year. By the first week in April, foreign exchange earnings from exports throughout the province (excluding Chongqing in this and subsequent statistics) amounted to 33.8 percent of that planned for the year. This was an 89 percent increase over the amount earned during the same period last year. Foreign exchange earnings from the export of the seven major products, namely silk, textiles, machine equipment, machinery, Chinese medicine, the five metals and mining products, and handicrafts, amounted to more than 40 percent of the year's plan.

This year the Provincial Party Committee and the Provincial Government have strengthened their leadership of foreign trade. The central government and the province are currently carrying out measures designed to advance their policy of encouraging exports. These measures have greatly spurred export enterprises and departments to supply goods. The situation in which goods for exports went to other uses has been controlled. Departments in charge of producing export products and relevant units are doing what they can to export. The textile industry is this year implementing a policy of "managing yarn by quotas" in order to handle the critical cotton yarn shortage and to ensure the supply of textiles for export. Electricity-generating units are doing all they can, under the critical province-wide electricity shortage, to ensure the supply of electricity needed for the production of export goods. The specialized banks in the different sectors are providing funds to support exports.

At the request of the Ministry of Foreign Economic Relations and Trade, the province's foreign trade departments have made exports plans, transactions, and exported commodities early. Since the first quarter, we now have \$350 million. The foreign trade departments have also done a lot to increase

exports of traditional export products and to develop new products for export. Export bases and specialized factories (workshops) supported by the foreign trade departments have been instrumental. In Deyang City, 12 export bases and specialized factories (workshops) have earned more than 40 percent of the city's foreign exchange earnings from exports.

12369  
CSO: 4006/678

## PROVISIONAL RULES ON HANDLING LABOR DISPUTES

OW101131 Beijing XINHUA Domestic Service in Chinese 0204 GMT 10 Aug 87

[Text] Beijing, 10 Aug (XINHUA)--Provisional Regulations on Handling Labor Disputes in State-owned Enterprises

(Promulgated by the State Council on 31 July 1987)

#### Chapter 1 General Provisions

Article 1 These regulations are enacted for the purpose of properly handling labor disputes, protecting the legitimate rights and interests of the management of state-owned enterprises (hereinafter referred to as the enterprise management) and their staff members and workers, maintaining normal production and social order, and promoting socialist construction.

Article 2 These regulations are applicable to the following labor disputes between the enterprise management on the one hand and staff members and workers on the other:

(1) Disputes arising from the fulfillment of labor contracts; and

(2) Disputes arising from the firing, dismissal, or layoff of those staff members and workers who have violated discipline.

Article 3 Both parties involved in the dispute are equal before applicable laws.

Article 4 If the party of staff members and workers involved in a labor dispute consists of 10 or more persons who share the same argument, the dispute is a collective labor dispute.

The staff members and workers involved in the collective labor dispute shall elect one to three persons as their representatives for mediation or arbitration.

Article 5 For disputes arising from the fulfillment of labor contracts, the parties involved may apply to the labor dispute mediation committee (or the mediation group, both hereinafter referred to as the mediation committee) of the enterprise concerned for mediation. They may also apply directly to the

local labor dispute arbitration committee (hereinafter referred to as the arbitration committee) for arbitration.

For labor disputes arising from the firing, dismissal, or layoff of discipline-violating staff members and workers, the parties concerned shall apply directly to the local arbitration committee for arbitration.

## Chapter 2 Mediation and Arbitration Organizations

Article 6 Enterprises shall establish mediation committees.

If an enterprise has branch plants (or branch companies or branch stores), a first-class mediation committee shall be established in its general plant (or general company or general store), and a second-class mediation committee shall be established in each branch plant (or branch company or branch store). If a labor dispute cannot be settled through mediation by the second-class mediation committee, the parties concerned may apply to the first-class mediation or apply directly to the arbitration committee for arbitration.

Article 7 The mediation committee shall be composed of the following persons, who hold the posts in the committee as their concurrent job:

- (1) Representatives of staff members and workers;
- (2) Representatives of the enterprise management; and
- (3) Representatives of the enterprise trade union committee.

Representatives of staff members and workers shall be elected by the congress of staff members and workers (or the general meeting of staff members and workers, the same below).

Representatives of the enterprise management shall be appointed by the enterprises management. Trade union representatives shall be appointed by the enterprise trade union committee.

The actual number of members of the mediation committee shall be proposed by the congress of staff members and workers and decided through consultations with the plant director.

Article 8 The chairman of the mediation committee shall be elected by the mediation committee from among its members.

The mediation committee shall work under the leadership of the congress of staff members and workers. The working body of the mediation committee shall be set up in the enterprise trade union committee.

Article 9 In handling a labor dispute, the arbitration committee shall carry out the system of rendering the final judgement by one arbitration.

Counties, cities, and districts under city jurisdiction shall set up arbitration committees to undertake the responsibility for handling the labor disputes arising in their respective localities.

If it is necessary for a province, an autonomous region, or a municipality to establish an arbitration committee, a decision on this shall be made by the provincial, regional, or municipal people's government, which shall also define the committee's jurisdiction of arbitration.

Article 10 The arbitration committee shall be composed of the following personnel on a part-time basis:

- (1) A representative or representatives of the labor administrative organ of the same level;
- (2) A representative or representatives of the federation of trade unions of the same level;
- (3) A representative or representatives of the department in charge of the enterprise involved in the dispute, or of a concerned department entrusted by the department in charge of the enterprise.

The number of representatives of the above-mentioned parties shall be equal.

The number of members of the arbitration committee shall be an odd number.

With the concurrence of the arbitration committee, obtained through consultation, representatives from the units concerned may be invited to observe the arbitration sessions.

Article 11 The chairmanship of the arbitration committee shall be assumed by the official in charge of the labor administrative organ at the same level.

The office of the labor administrative organ for handling labor disputes shall be the office of the arbitration committee.

The arbitration committee may fix the number of its staff in accordance with its needs.

Article 12 Any of the following individuals must voluntarily refrain from becoming a member or staffer of an arbitration committee. The parties concerned are entitled to request such a refraining in oral or written form:

- (1) A party to the labor dispute, or a close relative of his or hers;
- (2) A person who has a stake in the labor dispute;
- (3) A person with any other relationship to a party to the labor dispute which may affect the fairness of the arbitration.

Article 13 The arbitration committee shall make a prompt decision in response to a request for having an individual refrain from becoming a member or staffer of the committee and shall notify the party concerned of its decision in oral or written form.

### Chapter 3 Procedures for Handling Labor Disputes

Article 14 In mediating a labor dispute, the mediation committee must follow the principle of respecting the free will of the parties concerned and must not coerce either party.

Any agreement reached through mediation shall be recorded and filed, and be strictly implemented by both parties.

Where either of the parties prefers not to have mediation, or where the mediation fails to produce results, an application may be filed with the local arbitration committee for arbitrating the dispute.

Article 15 A labor dispute handled by a mediation committee shall be brought to an end within 30 days from the day an oral or written application is filed; the mediation shall be considered unsuccessful if the case is not concluded at the end of that period.

Article 16 In applying for arbitration, the parties concerned shall submit a written application to the arbitration committee.

Where the labor dispute falls in the category mentioned in Class (1) of Article 2 of these regulations, the parties concerned shall file an application with the arbitration committee within 60 days from the dispute occurred or 30 days from the day the mediation failed to produce results.

Where the labor dispute falls in the category mentioned in Clause (2) of Article 2 of these regulations, the parties concerned shall file an application with the local arbitration committee within 15 days from the day the enterprise announced its decision on the firing dismissal, or layoff of the staff member or worker concerned.

Article 17 The arbitration committee shall make a decision to accept or not to accept the case within 7 days of receiving the written application. If the arbitration committee decides to accept the case, it shall forward a copy of the written application to the parties concerned within 5 days of making the decision; if it decides not to accept the case, it shall provide an explanation.

Article 18 In handling a labor dispute, the arbitration committee shall conduct mediation after investigating the facts in order to promote mutual understanding between the parties concerned and reach an agreement.

Article 19 The arbitration committee shall produce a mediation deed out of the agreement reached through mediation. Such a deed shall be signed by both

parties to the dispute and members of the arbitration committee and affixed with the seal of the arbitration committee. The deed shall become legally binding once it is delivered to the parties concerned.

Article 20 Where an agreement is not reached through mediation, the arbitration committee shall promptly resort to arbitration.

Article 21 The arbitration committee shall notify the parties concerned of the time and place of arbitration in written from 4 days prior to arbitration. The arbitration committee may arbitrate the case in absentia if a party fails to appear without justifiable reasons after being notified twice.

Article 22 After consultation, the arbitration committee shall render a ruling in accordance with the principle of subordinating the majority of the majority. Dissenting views expressed during the consultation must be truthfully recorded.

Article 23 After rendering a ruling, the arbitration committee shall produce a document containing the ruling, which, after being signed by the members of the arbitration committee and fixed with the seal of the committee, shall be served on the parties concerned.

Article 24 A labor dispute handled by an arbitration committee shall be brought of a conclusion within 60 days.

Article 25 Where one or both of the parties to a dispute are dissatisfied with the arbitration ruling, an appeal may be filed with a people's court within 15 days of receiving the document containing the ruling; where one of the parties fails to appeal and implement the ruling at the end of the prescribed period, the other party may apply to a people's court for compulsory enforcement of the ruling.

Article 26 Where the enterprise management and the staff member or involved in a labor dispute are from different areas, the arbitration committee in the place where the staff member or worker receives his wages are based shall handle the case. However, exceptions shall be made in cases where the provincial, autonomous regional, or municipal people's government concerned has an arbitration committee and relevant provisions of its own.

Article 27 The arbitration committee shall collect a fee for its arbitration activities.

Standards for collecting arbitration fees shall be established separately by the Ministry of Labor and Personnel and the relevant departments of State Council.

#### Chapter 4 Rules for Punishment

Article 28 Efforts by the parties concerned to interfere with mediation or arbitration; to disrupt work and production; or to refuse to let state

functionaries execute their duties or obstruct them in doing so shall be dealt with in accordance with the relevant provisions of the "Regulations Governing the Management of Public Security and the Punishment of Public Security Violations of the People's Republic of China." Where such an effort constitutes a crime, the criminal liability involved shall be pursued by a judicial organ in accordance with the law.

Article 29 Where personnel handling a labor dispute violate these regulations, the unit they belong to shall mete out disciplinary measures if the case is serious; criminal liability shall be pursued by a judicial organ in accordance with the law if the violation constitutes a crime.

#### Chapter 5 Supplementary Provisions

Article 30 Provincial, autonomous regional, and municipal people's governments shall determine if these regulations are applicable to labor disputes not covered by Article 2 of these regulations.

Article 31 Provincial, autonomous regional, and municipal people's governments may formulate detailed rules for implementation on the basis of these regulations and report such rules to the Ministry of Labor and Personnel for filing purposes.

Article 32 Disputes arising from the fulfillment of labor contacts by state organs, institutions, and social organizations may be handled by referring to these regulations.

Article 33 These regulations shall be interpreted by the Ministry of Labor and Personnel.

Article 34 These regulations shall take effect on 15 August 1987.

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CSO: 4006/875

## CHINA DAILY ON REGULATIONS ON WORKERS' CONDITIONS

HK300434 Beijing CHINA DAILY in English 30 Jul 87 p 1

[Article by staff reporter Guo Zhongshi]

[Text] Concerns over the working conditions, safety and environmental consequences of China's more than 13 million township enterprises have spurred the state to draw up new regulations to cope with the problems.

The three new regulations, to go into effect on October 1, are intended to crack down on industrial accidents, occupational diseases and pollution now found mostly in the fields of construction, mining, transport and fireworks' production in the burgeoning rural industrial sector, officials say.

An official of the environmental protection department of the State Township Enterprises Bureau told CHINA DAILY yesterday that waste water, gases and residues discharged by township enterprises accounted for 10 percent of the country's total while they turned out 20 percent of its total industrial and agricultural output value.

But the pollutants emitted by rural industries posed a more direct threat to health as most of the enterprises were on farms and in towns where residents drink directly from wells and rivers. "Industrial contamination goes easily into the agricultural cycle," the official warned.

Factories causing pollution are also the ones whose employees suffer a higher rate of occupational hazards which the official described as a "serious problem" in rural enterprises.

The new regulations on working conditions in township enterprises say all construction or expansion of industries in townships and rural areas should be accompanied by health protection facilities while existing ones must improve their working conditions to meet state standards.

A Ministry of Public Health survey conducted last year found that half the township enterprises in seven provinces had health hazards and 18 percent of their workers were in direct contact with harmful elements, because of poor working conditions, lack of safety measures and management ignorance, the official said.

He said 13 percent of rural enterprises were polluters, affecting at least 7 million employees.

An official from the Supreme People's Procuratorate told CHINA DAILY that most of the industrial accidents which occurred in the construction industry this year have involved rural construction teams. They had already killed more than 500 people, he said.

All township enterprises should conduct health checks before and after workers are employed and none should employ workers under the age of 18. Child labour has previously been found in some private businesses, the official said.

An official from the township enterprises bureau said enterprises should have special personnel to supervise safety check-ups and they should have the right to stop the operation of the factory when potential accidents or dangers to workers are discovered.

Enterprises producing flammable or explosive goods will require the approval of the departments concerned and anti-explosion and fire escape facilities should be built where they are needed, said the official quoting the new regulations.

Meanwhile anti-pollution facilities should also be built in factories discharging harmful elements, said the official. Factories engaged in poisonous operations such as electro-plating should be transferred to other trades or closed down if they do not equip themselves with anti-pollution facilities.

The new regulations also demand enterprises unable to build safety, anti-pollution and health facilities should stop operation.

The official said the new regulations promised severe punishment to those factories and directors who refused to abide by them.

Although most of China's township enterprises are short of funds, he said, the regulations stipulate that rural industries should rely on their own resources to collect necessary finance while local government should reduce the taxation on rural industries.

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CSO: 4020/252

## REFORM OF LABOR EMPLOYMENT SYSTEM UNDER WAY

OW051214 Beijing XINHUA Domestic Service in Chinese 2357 GMT 1 Aug 87

[By reporter Wu Jincai]

[Text] Beijing, 2 Aug (XINHUA)--According to the Ministry of Labor and Personnel, during the Seventh 5-Year Plan the rate of waiting for jobs in China's urban areas will be stabilized at the current level of 2 percent so as to maintain stability and unity and create good social conditions for economic and political structural reform.

During the 8-year period from 1979 to 1986, China basically solved the employment problem for youths waiting for jobs, whose number had been increasing year after year, by reforming the labor employment system. As a result, the acute urban employment problem eased. Statistics show that during those 8 years over 60 million people in China's urban areas were assigned to work. The rate of urban youths waiting for jobs dropped sharply from 5.9 percent in 1979 to 2 percent in 1986.

According to the Labor and Personnel Ministry's analysis, the reform of China's labor employment system is under way mainly in four aspects:

Reform of the system of the state managing all aspects of employment. In the past workers were recruited mainly by state-owned units. Today, recruitment of workers is done by the state, collective, and individual economy. Of the personnel employed in the 8 years, 40 percent were hired by relying on the collective and individual economy.

Readjustment of the employment structure. In the past employment depended mainly on industrial departments, particularly heavy industry departments. Now employment can expand by relying mainly on the tertiary industry and the consumer goods industry. The proportion of tertiary industry workers among all workers in society has now risen to 42.5 percent. The proportion of workers in primary and secondary industrial departments has dropped from 61.3 percent in 1980 to 57.5 percent.

Training of workers before employing them. Currently, over 40 percent of those waiting for jobs in society as a whole receive training before they are employed. As a result, those who received training have a better chance to find jobs.

Building and development of labor service corporations. Each of these can assign an average of 1 million people to work. This is a new way to solve China's employment problem.

According to Zhao Dongwan, minister of labor and personnel, despite the remarkable results achieved in the reform of the employment system, employment in China is still a problem today. The total number of people in urban areas who need jobs during the Seventh 5-Year Plan is about 40 million. Pressures are bigger than that in the Sixth 5-Year Plan. Therefore, the key to solving the employment problem under the new circumstances lies in invigorating the economy, developing production, continuing to deepen the reform of the employment system, further developing enthusiasm in all aspects, and opening all avenues for employment.

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CSO: 4006/875

## REGULAR WORKERS DECREASE, CONTRACT WORKERS INCREASE

OW041350 Beijing XINHUA in English 1333 GMT 4 Aug 87

[Text] Beijing, August 4 (XINHUA)--The number of workers in regular employment is decreasing by 50,000 a month across China, as the new contract system gathers steam.

The latest figures from the State Statistics Bureau report that the total number of regular workers had dropped from 75 million at the end of last year to 74.73 million in the first half of this year.

At the same time, contract workers in state-run units are increasing by 80,000 a month. The total number had topped 5.71 million by the end of June this year.

Although the percentage of contract workers is still small, it has had a great impact on the reform of China's labor system. Without changing the present regular worker system in state run enterprises, which cover about 80 percent of the total employment, labor and Personnel Minister Zhao Dongwan said, it is impossible to bring about a fundamental change in the labor system.

The minister warned that the long-term coexistence of the contract labor and regular worker systems may cause frictions and bring trouble to management and ideological work.

He revealed that some regions and enterprises are cautiously trying to make the present regular labor system more flexible by introducing association of labor, assigning posts by selection, management by contract and other methods.

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CSO: 4020/252

## PLANT DIRECTORS URGE WAGE SYSTEM REFORM

OW080603 Nanjing Jiangsu Provincial Service in Mandarin 0915 GMT 7 Aug 87

[From "News" program]

[Text] Plant directors from 18 provinces and municipalities, cadres of the State Economic Commission's Enterprise Bureau and of the Ministry of Labor and Personnel, and experts and professors of economic affairs in Jiangsu met in Nanjing in late July to discuss ways to make remuneration within an enterprise more rational.

Participants pointed out: The eight-grade wage system established in 1956 cannot encourage workers' initiative and must be reformed. In recent years, many enterprises have done a great deal to abolish the system and enliven their internal remuneration systems. Wage systems based on different production quotas; piecework wage systems; wage systems based on duties, skills, and titles of technical posts; wage systems based on required cooperation; and comprehensive remuneration systems have been developed.

The participants said: The higher authorities should not excessively interfere in the determination of the types of remuneration system for an enterprise or impose a uniform wage system. Enterprises should be left to choose the kind of wage system best suited to their needs. The remuneration system adopted should help overcome egalitarianism and contribute to technological progress. It should be able to arouse the initiative of all personnel concerned, and should contribute to regulating human relations. Wage increases should be proportionately lower than the rise in profits and tax, and the increase in productivity. This is necessary to control the rise of consumption funds.

They also pointed out: Personnel and labor systems should be appropriately reformed in order to make reform of the internal remuneration system successful. Otherwise, reform of the wage system cannot continue in depth.

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CSO: 4006/875

## NEED FOR LABOR SYSTEM REFORM DISCUSSED

HK051322 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0236 GMT 5 Aug 87

[ "Roundup" by reporter Wang Xiaohui (3769 2556 2547): "China Starts the Reform in the Permanent Worker System Aimed at Invigorating State-operated Enterprises" ]

[Text] Beijing, 5 Aug (ZHONGGUO XINWEN SHE)--Efforts have been made during the second half of this year to reform the former permanent worker system aimed at invigorating the state-operated enterprises. This reform, which will involve 74 million workers, is a sign marking the deepening of the reform in China's labor system.

China started its labor system reform in the early 1980's when there were 10 million people unemployed every year. At that time, our country shouldered a heavy burden of getting jobs for tens of millions of people every year. It suffered from great difficulties.

After that, the change in China's ownership system and the readjustment of production setup have provided an economic basis for the reform in employment system. Enterprises under collective ownership, individual economy, tertiary industry, and consumer goods industry open their doors wide to those who are waiting for employment. They get jobs through the help of labor and employment departments, or by getting themselves organized on a voluntary basis, or by relying on their own efforts to seek jobs. This many-channelled employment guiding principle has reduced the unemployment rate from 5.9 percent 8 years ago to the present 2 percent.

When the situation of unemployment has been eased to a certain extent, China begins considering the way for more rational employment system.

The job assignment system, which has been implemented for 340 years, is based on job monopolization by the state. Such rigid employment form has tired down laborers to a certain vocation for a long time. They are not allowed to free themselves from it. Enterprises do not have the right to choose personnel. They cannot employ workers and staff members who they wish to employ. They are not allowed to lay off those who are not competent enough in their work.

An important CPC official says that such job assignment system is not beneficial to giving play to the talent of workers, and arousing their

enthusiasm, initiative and creativity. In this particular sense, the democratic right of workers has not yet been fully realized.

In practical life, people are no longer satisfied with such a system which deprives workers of their right to job selection. Reform and opening up have provided people with a strong sense of mobility.

According to a sample survey carried out throughout the country, in August 1985, 48.2 percent of people wished to change their jobs. One year after, the percentage increased to 60.3 percent.

Therefore, China has made a second step in the reform of labor system. Since last year, the state-operated enterprises have recruited workers on the basis of labor contract system. The recruitment has been made in the society. Workers are recruited on a selective basis.

It has been revealed that last year factory directors in 14 provinces and cities fired more than 2,000 workers who violated discipline. Although this proportion was not big, and accounted for only 0.007 percent in the total number of workers throughout the country, it proclaimed the collapse of the hotbed of the slattern and the good-for-nothing who were cunning and lazy, and were blamed for making trouble. These persons, who were formerly employed workers, have now become unemployed. In addition, due to the implementation of the bankruptcy law in China on a trial basis, some workers have also become unemployed because of the bankruptcy of a small number of enterprises.

The existing reform has psychologically enhanced people's capability to endure every kind of trial. A GONGREN RIBAO editorial stressed that unemployment should not be attributed to the capitalist system alone. It is not inconceivable that there is unemployment in China. Imbalance in proportion between laborers and means of labor, the bankruptcy of a small number of enterprises because of competition, and the fact that some laborers are unable to adapt themselves to the development of new technology, and so on are reasons attributed to unemployment.

The editorial adds that it is normal that people feel certain insecurities. Such a sense of insecurity can be turned into a driving power for making progress.

At present, the government shows more concern for the incompatibility between permanent worker system and contract worker system. Xu Song-tao, deputy director of Policy Research Office under Labor Personnel Ministry says: The key to reform in recruitment system lies in enlivening the existing permanent worker system in order to arouse the enthusiasm of 74 million permanent workers.

An experiment has been carried out in Zhuzhou and Qingdao with an aim to enliven the permanent worker system. The methods adopted include: reorganization of laborers, assignment of tasks for workers on a selective basis, implementation of contract system inside factories, and arrangement

for surplus workers. Xu Songtao adds: the purpose of the reform is to establish a labor force administrative system in the society, which conforms with the demand of the planned commodity production, and is beneficial to arousing the enthusiasm and creativity of enterprises and laborers so that the permanent worker system will be "enlivened."

It can be expected that with the deepening of the reform in the labor system, the labor service market will further develop. This will play a positive role in regulating the social labor force.

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CSO: 4006/875

## POPULATION ISSUE IN ECONOMIC OPERATION

HK301345 Beijing GUANGMING RIBAO in Chinese 18 Jul 87 p 3

[Article by population study sub-group for the "Study on China's Economic Operations": "Pondering the Population Issue in China's Economic Operations"  
--first graf GUANGMING RIBAO editor's note]

[Text] "Study on China's economic operations" is a key topic in the philosophical and social science studies of the state during the Seventh 5-Year Plan. The project, in which some young and middle-aged economic workers in Beijing participate, is carried out under the guidance of Comrade Cheng Yuantung (End editor's note)

In the past, while studying the issues of population and economy, people used to pay more attention to the relations between reproduction of population and reproduction of the society. They seldom attached importance to the study of the relations between population and economic operation. There is a marked difference between these two kinds of studies. The former lays its emphasis on analyzing the role played by population as producers and consumers in promoting or restricting economic growth in terms of speed and scale. The latter puts its stress on studying the role of the population factor in economic operational mechanisms, the economic operational structure, and policy decisions for economic operation.

#### Potential Restrictive Function of Population in the Initial Stage of Economic Operation

Shortly after the founding of new China, China faced economic pressure in "catching up with and surpassing the advanced capitalist countries" in addition to the objective demand of increasing people's living standards. Speeding up the process of industrialization became an overriding task. The low level of social productive forces and backward science and technology were comparatively marked restrictive factors for modernization in China. Besides, population was also an important restrictive factor in the realization of industrialization. Such restrictions were reflected in the following: Quantitatively speaking, the basic demands of 500 million people in daily life could consume all the results of production; qualitatively speaking, our large labor force lacked practical experience in industrial production, and had never received systematic education and training. Their level of science, culture and the specialized skills needed by industrialization, was very low.

In addition, at that time our country already carried within itself the seeds of fast population growth. Owing to these population characteristics, it was a very strenuous task for China to free itself from natural economy, and to speed up industrialization. Therefore, the formation of China's dualistic economic development pattern was set against an important background of population restriction. China's dualistic economy has its own peculiarities because of these population characteristics:

1. Highly equalized individual income and the difference between towns and country. Ensuring that everyone is fed and that the society is stable is where the basic interests of the state lie. Under the conditions that the level of economic development was low, to solve the basic problem of providing people with food and clothing, there should not be too wide a difference in individual income. Therefore, individual income in both urban and rural areas was low and highly qualified. Backwardness in rural areas and great pressure exerted by the agricultural population objectively determined that the level of individual income in rural areas was lower than that in urban areas.
2. The difference in employment patterns in urban and rural areas. To conform with individual income and distribution, in urban areas the state could only follow a pattern of "low wages and vast employment." In rural areas, a pattern of "natural employment" was adopted. Rural areas were regarded as a "reservoir" labor force. After any of the rural labor force entered towns and cities, it was difficult for them to flow back. Therefore, the agricultural labor force was a strong reserve for the urban labor force.
3. The differences in welfare systems in urban and rural areas. Various kinds of welfare services provided by the state are actually a kind of compensation for the low individual income. In urban area, such welfare services are reflected in employment protection. In rural area they are reflected in the protection of land and small collectives.
4. Different functions of the central and local governments. Under the pressure of "catching up with and surpassing advanced capitalist countries," the central government has always given top priority to the speeding up of industrialization. It stresses the efficiency of modern economy, and regards population as a supplying force for industrialization. The burdens of providing a vast population with jobs and improving their livelihood are shifted to local government. As far as local governments are concerned, their capability to "catch up with and surpass" is limited. They have considered more local economic development and the improvement of the livelihood of local people. They pay their closest attention to economic interests obtained from the input of labor force. To them, efficiency is only secondary.
5. Lopsided industrial setup. The central government concentrated its efforts on promoting modern industry, trying to use the method of giving priority to heavy industry development to make up for a transient loss as a result of treating light industry and agriculture lightly. The purpose in so

doing was to achieve a take-off for the entire economy. However, the intensive pressure of population growth on resources belittled the possibility for a change in the industrial setup. Therefore, within a certain period of time, the lopsided development of the industrial setup became a common phenomenon.

From the analysis mentioned above, it is clear that shortly after the founding of new China, we adopted some temporary measures to solve problems left over from history. However, under the pressure of population, these measures were gradually institutionalized. With different distribution, employment and welfare systems implemented in urban and rural areas, and the lopsided development of the industrial setup, the widening of differences between towns and country was inevitable.

#### Population Characteristics and the Economic Operation Mechanism Mutually Intensified Each Other

From 1958 to 1977, our economic operations entered a turbulent period. According to a strategic attempt taken in the initial stage, if the stability of the society and normal economic growth could be ensured, the conflict between population and economic operation could be gradually eased. However, due to double mistakes we made in both population and economic policies, population and economic operation entered an unhealthy circle characterized by their mutually intensifying each other.

The mistake we made in population policy was that we wrongly regarded population as a long-term resource supply, and that we failed to truly realize that population policy was also a useful "means" for increasing the quality of the labor force. As a result, we failed to take the initiative to adopt measures to promote the rational change of population. Due to the mistake we made in economic policy, the development of our economy departed from a correct line. Hence, the employment and distribution systems in our original economic operation mechanism played the role of accelerating population growth. Microeconomy could no longer restrict population increase.

Rapid population growth was a heavy burden for economic operation, which aggravated the tense economic operation, and intensified the former economic operation mechanism. All these manifested themselves in the following:

1. The former employment, distribution and welfare systems were strengthened. Job arrangements were further carried out behind closed doors. To ensure accumulation under the conditions of low economic growth, the distribution and wage systems became more rigid. The combination between curbing increases in wage levels and the rapid expansion of the contingent of employed workers intensified the egalitarian trends in distribution. The situation mentioned above affected the enhancement of population quality.
2. The functions of local governments were strengthened. Population growth imposed a heavier burden on local governments. In the process of easing population pressure, the functions of local governments were constantly

expanded. All this erected more barriers between different departments or regions.

3. The former industrial setup was strengthened. Population growth always turned agriculture into a "bottleneck" of economic development. In the meantime, processing industry in towns and cities, which did not set high demand on the input of essential factors (raw and processed materials, labor force, and so on) expanded very rapidly, so that the industrial setup was fixed, and the development of high technological and capital intensive industry was slowed down.

4. There was a greater barrier between urban and rural areas. When industrialization was slowed down because of the restricted supply of resources, population pressure further manifested itself. With the increase and reduction of population on several occasions, the barrier between urban and rural areas became greater and greater with employment and distribution patterns and the industrial setup being strengthened.

During this period, there were many problems arising in economic operations. There was no doubt that many of these problems were attributed to the system itself. However, the influence of China's population characteristics should not be underestimated. To put it briefly, the influence of population was reflected in two aspects: First, the great demand from a vast population exceeded the supply capability of the society; second, quantitatively speaking, the supply of low-quality labor force was a great pressure on the development of social economy. Quantitatively speaking, such labor force could not satisfy the demand of the development of social economy.

#### Population and Economic Operations Since Economic Structural Reform

Economic reform in our country started by solving the problems arising from the interest mechanism. The old distribution, employment, and price systems, the industrial setup, and so on have been affected. Efforts have started to lower the barriers between urban and rural areas. Certain results have been obtained in developing education and family planning work initiated at the end of the 1960's. However, while emancipating productive forces in the course of economic reform, the long-restrained huge consumption demand of the population has been released. The conflict with the deepening of industrialization has been demonstrated in the following:

1. People's expectation of living standards and the restriction of resources. The per capita resources possession in China has determined that at the present stage our consumption pattern will not be the same as that of developed countries. However, their "demonstration effect" should not be overlooked.
2. The speed in improvement of people's livelihood and accumulation. At present, our country's accumulation relies, to a great extent, on low wages. However, the rapid increase in production costs has been threatening the rise in accumulation.

3. People's demand and readjustment of the industrial setup. Reform and development have demanded that traditional industry be reformed on the basis of new technology. Several new industries are being gradually established, and are playing an important role. The great demand of the people resulting from reform has promoted the expansion of traditional industry. Thus, new contradictions have occurred in readjustment of the industrial setup in terms of capital, resources, and so on.

4. The shifting of rural labor force and the demand for agricultural products. An important reason attributing to the rise of township and town enterprises is that under the conditions that pricing structure does not change too much, attempts have been made to overcome rural poverty through development of industry. But if the rural labor force is shifting to industry too fast, the production of agricultural products might be affected, and their prices might go up because of this.

5. The pressure of employment and flow of labor force. The pressure of employment in our country due to our vast population is still very strong. With the development of socialist commodity economy in our country, the selection of the most useful and best personnel has become a driving force for the development of enterprises. The contradiction between redundant personnel and the structural shortage of useful labor force has become visible. In townships and towns, if 4 percent of the labor force is laid off (Western countries believe that this is one of the marks manifesting the stability of the society), this means that about 4 million "redundant personnel" will turn to the society for jobs.

6. Long-term and immediate interests with regard to the issue of population. The present state of affairs in China is: The benefits derived from the agriculture labor force are larger than those from raising and providing children with education. Peasants still have a strong desire to give early birth to more children. Taking overall interest into account, the state should exercise control over the numbers of population, enhance the quality of population, and popularize education.

Contradictions in practice have demanded that the former economic operation mechanisms be changed, and that a new operation mechanism be established, which conforms with our population characteristics and the needs for economic development.

Practice has proved that the old and rigid planning system can never effectively solve the contradiction between population and economic operation. Experiences both at home and abroad have told us that it is difficult to solve problems if we merely rely on the market and give up macroscopic regulation. The deployment of essential factors and their distribution portions in incomes relies, to a great extent, on macroscopic regulation and proper competition under its guidance. It is impossible to balance them by relying on antagonistic contention. All this has demanded that in the course of establishing a new economic operation mechanism, and formulating industrial and employment policies, and a policy for the distribution of income, we should pay attention to coordinating the interests of various quarters. In particular, we should not neglect the important "weight" of population.

POPULATION

ECONOMIC

XIAN DEMANDS STRICTER FAMILY PLANNING CONTROL

HK040917 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 3 Aug 87

[Text] A number of members of the Xian City People's Congress Standing Committee and some deputies to the city people's congress recently inspected rural family planning in (Baqiao) District and also in Lantian and Zhouzhi counties. They noted: It is worth attaching importance to rural areas' problems caused by unauthorized births not covered by plans. These problems are directly related to the rural cadres' slack mood concerning family planning, and are also directly related to their work method which ignores basic work.

The city people's congress standing committee members proposed that leaders, and district and county organs, adopt positive measures to strengthen family planning organizations from the township and town level down, make sure that every level takes responsibility for family planning, and change some areas' existing practice of letting things drift. The members also demanded that such leaders and organs concentrate their efforts on persevering in carrying out basic work such as giving regular publicity to policies, conducting ideological education, and offering birth control services, arrange second births in a planned way and in accordance with the relevant policies and regulations, and prevent the inclination to be either overly lenient or overly severe.

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CSO: 4006/875

POPULATION

ECONOMIC

BRIEFS

SHAANXI FAMILY PLANNING ACHIEVEMENT--There were 207,000 births in Shaanxi in the first half of this year, 6,500 less than in the same period last year. The number of second and further births not covered by the plan dropped in seven prefectures and cities. Officials concerned hold that family planning work in the province has shown a good momentum of steady progress. Nearly 500,000 contraceptive operations were carried out in the first half of the year, 185,000 more than in the same period last year. The number of such operations in Weinan Prefecture was 110,000, accounting for 22 percent of the provincial total for the period. The officials concerned also hold that Shaanxi's task of controlling population growth is extremely arduous. Indiscriminate granting of exemptions to the rules, and early marriage and child-bearing have emerged in certain places, while the late marriage rate has dropped. It remains essential to redouble efforts in order to fulfill this year's population control plan. [Excerpts] [Xian Shaanxi Provincial Service in Mandarin 2330 GMT 31 Jul 87 HK] /6662

CSO: 4006/875

## RAILWAY CONSTRUCTION IN 7TH 5-YEAR PLAN

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 2, 28 Mar 87 pp 8-9

[Article by Wu Xinju [0702 2450 7467]: "New Railways to Be Built in the 7th 5-Year Plan"]

[Text] Busy Trunk Lines to Receive Priority

The busiest railways in the nation today, the ones under the worst strains and with the most bottlenecks, are concentrated in the northeast and along the coast. To locate them, we can draw two lines: one from Manzhouli to Suifenhe, one from Baotou to Liuzhou. Inside the two lines is most of what we usually refer to as the eastern region and central region, where the busiest railways account for one-third of all railway lines in the nations. With a combined length of 16,000 km, they comprise 6 north-south and 8 east-west lines. Known as the "6 verticals and 8 horizontals," they are 14 busy corridors. (Please refer to the map.) The "six verticals" are the Harbin-Dalian Railway, Beijing-Shenyang Railway, Beijing-Shanghai, and Shanghai-Hangzhou railways, Beijing-Guangzhou Railway, north-south Tongpu Line, and the Taijiao-Jiaozhi-Zhiliu Line.

The "eight horizontals" refer to the Harbin-Suifenhe and Harbin-Manzhouli railways; Beijing-Baotou Railway; Datong-Qinghuangdao Railway; Shijiazhuang-Taiyuan and Shijiazhuang-Dezhou railways; Jiaoxian-Jinan Railway, Xinxiang-Jiaozuo, Xinxiang-Heze, and Yanzhou-Shijiuzuo railways; Gansu-coast Railway, and Zhejiang-Jiangxi Railway. These arteries of communication bear two-thirds of the nation's freight and passenger traffic. As a result, expanding and strengthening them on a priority basis to increase their capacity and enable them to meet basic transportation needs will not only affect industrial and agricultural development in the northeast and along the coast, but also influence the growth of the entire national economy.

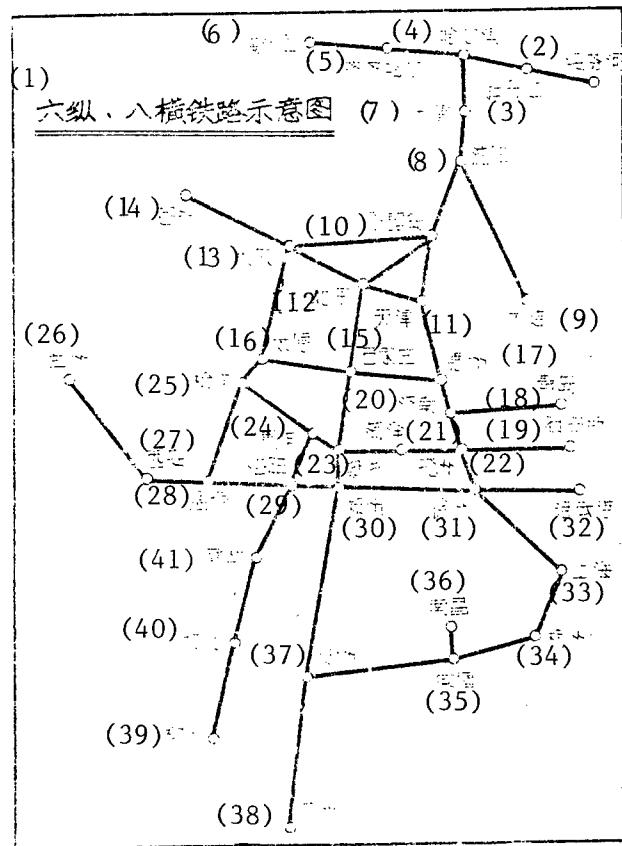


Figure 1. The Six Vertical and Eight Horizontal Railways

Key:

- |   |                 |
|---|-----------------|
| 1. Sketch map of the six vertical and eight horizontal railways | 21. Heze        |
| 2. Suifenhe   | 22. Yanzhou     |
| 3. Mudanjiang   | 23. Xinxiang    |
| 4. Harbin   | 24. Jiaozuo     |
| 5. Qiqihar  | 25. Yuci        |
| 6. Manzhouli  | 26. Lanzhou     |
| 7. Changchun  | 27. Xian        |
| 8. Shenyang   | 28. Mengyuan    |
| 9. Dalian   | 29. Luoyang     |
| 10. Qinhuangdao   | 30. Zhengzhou   |
| 11. Tianjin   | 31. Xuzhou      |
| 12. Beijing   | 32. Lianyungang |
| 13. Datong  | 33. Shanghai    |
| 14. Baotou  | 34. Hangzhou    |
| 15. Shijiazhuang  | 35. Xiangtang   |
| 16. Taiyuan   | 36. Nanchang    |
| 17. Dezhou  | 37. Zhuzhou     |
| 18. Qingdao   | 38. Guangzhou   |
| 19. Shijiuzuo   | 39. Liuzhou     |
| 20. Jinan   | 40. Huaihua     |
|   | 41. Xiangfan    |

## New Lines That Must Be Built

The 7th 5-Year Plan will see the construction and completion of projects begun in the 6th 5-Year Plan. Efforts will be made to build related projects and put them into use as soon as possible. For this reason, almost half of the investments will be spent on ongoing projects, including the Dasha line, where track-laying has yet to begin; the Datong-Qinhuangdao Railway, where track-laying has just started; Houxi line, where track-laying has not been completed, and other feeder lines such as the Nanfang line, Urumqi-Wusu line, Tianhushan (Fude-Jiandou) line, and Yangyi line, etc. Other feeder lines where track-laying has been completed and which have to be wound up include the Beijing-Qinhuangdao Railway, Xinxiang-Heze Railway, Yanzhou-Shijiuzuo Railway, Fuhuai Railway, Han(jing)-Dong(bo) Railway, Han(jiayuanzi)-Ta(shan) line, Tonghuo line, Yimen He feeder line, Beilun Guang feeder line, San(shui)-Yao(gu) line and Xiyan line (Bode-Qinjiachuan).

To increase the future capacity of rail transport and relieve pressures on the transportation system, we must build new lines as necessary. During the 7th 5-Year Plan, construction will begin on the following major lines. One will link Houma with Yueshan, which, together with the recently completed Xinxiang-Heze and Yanzhou-Shijiuzuo railways, will bring Shanxi coal to the south. That way coal can be directly sent to Shijiuzuo harbor on a large scale for shipment. Another is the Datong-Qinhuangdao Railway. Though a continuing project, the bulk of the work on the railway will be completed in the 7th 5-Year Plan. Along with the newly completed Beijing-Qinhuangdao Railway (Longwopu-Qinhuangdao Railway), it will constitute the third northerly route for Shanxi coal. It will also be China's first double-tracked, heavy-duty electrified railroad with a possible capacity of more than 100 million tons.

To solve the undercapacity of the Shenyang-Shanhaiguan Railway, a third line will be built between Qinhuangdao and Shenyang, thereby increasing the number of corridors through Shanhaiguan from the present two (Beijing-Tong, Shenyang-Shanhaiguan Railways) to three.

To lessen the pressure on the Tianjin-Pu Railway, new lines must be built between Shangqiu and Fuyang and between Xuancheng and Hangzhou. They will constitute the second corridor leading to east China. The other consists of the Fuhuai Railway, Huainan Railway, Anhui-Jiangxi Railway, and Wuyu ferry service.

In order that more local main and feeder lines can be built, there is a need to raise funds and build new lines in cooperation with the localities and beneficiary units concerned. Railways now under construction which are joint ventures include the following: a section between Bodi on Xiyan line to Qinjiachaun, 92 km, a joint venture between the Ministry of Railways, Shaanxi Province, and the Diyij Engineering Co. Upon completion, it will be managed and run by the company for 10 years. After it recoups its investment, the company will hand over the railway to the state gratis. Other joint ventures are the Yidon-Yangkou line, 72 km, which is being built by the Ministries of

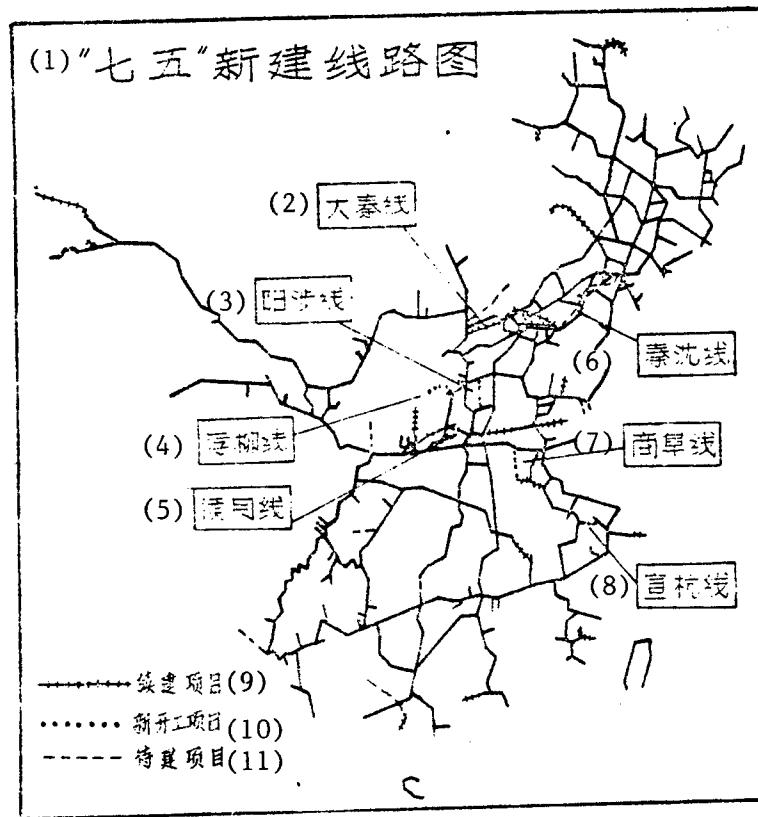


Figure 2. New Railways To Be Built in the 7th 5-Year Plan

Key:

1. Routes of new railways to be built in the 7th 5-Year Plan
2. Daqin line
3. Yanshe line
4. Xiaoliu line
5. Houyue line
6. Qinshen line
7. Shangfu line
8. Xuanhang line
9. Continuing projects
10. Newly started projects
11. Projects to be built

Railways, Light Industry, and Petroleum Industry, and Shandong Province; Nanfang line, 173 km, a joint venture between the Ministry of Railways, Guangxi Autonomous Region, and the Second Engineering Bureau (has been completed); and the Sanshui-Yaogu Railway, 90 km, a joint investment between the Ministries of Railways and Petroleum Industry and Guangdong Province.

During the 7th 5-Year Plan, the following railways will be built as joint ventures: the Yangquan-She County line, 194 km, and the Xiaoyi-Liulin line, 116 km, both joint ventures between the Ministry of Railways and Shanxi Province; and the Jining-Tongliao line, 835 km, to be built mainly with funds raised by the Nei Monggol Autonomous Region, supplemented by state funds. All the above-mentioned railways will be financed primarily by local investments. They will be built in sections. As soon as a section is completed, it will be put into service to the benefit of a particular region. That way, one railway nurtures another, one railway begets another. At a time when state financial resources are less than ample, railways should be built crudely and then put into operation immediately. Improvements and upgrading can be made steadily later as transport volume increases. Thus the local economy benefits and the network of railways is expanded.

Other joint investments in railroad construction between the Ministry of Railways and local authorities: the Aiweiergu feeder line, the Beijiang line, the Shangfu line, the Xuanhang line, the Nan(ning)-Kun(ming) line, the Bao(ji)-Zhong(wei) line, etc. If the beneficiary units raise funds energetically, even more railways may be built in the latter part of the 7th 5-Year Plan.

Joint ventures in railroad-building are a novelty. There are problems concerning the source, application, and repayment of funds. Investors definitely assume some risks. Also at issue are operations, management, and a series of other policies. We need to formulate appropriate laws to govern joint investment in railway construction, including preferential measures, revamp unreasonable charges, and enhance the road-construction and foreign trade powers of railway systems in order to increase all parties' (overseas Chinese, foreign businessmen) investment in railway building and expand the railways rapidly.

12581/9599  
CSO: 4006/668

## MAJOR CORRIDOR IN SOUTH CHINA: ZHEJIANG-JIANGXI RAILWAY

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 2, 28 Mar 87 pp 6-7, 9

[Article by Li Guizhen [2621 2710 3791] and Qian Mingyuan [6929 2494 6678]: "Overhauling the Zhejiang-Jiangxi Railway"]

[Excerpts] The Zhejiang-Jingxi Railway runs for 945 km from Hangzhou, the capital of Zhejiang Province, in the east to Zhuzhou, a major city in Hunan, through Xiaoshan, Jinhua, Yingtan, Xiangtang, and Pingxiang, connecting the three provinces of Zhejiang, Jiangxi, and Hunan. Along the line are densely populated and economically developed areas. It handles a large volume of passenger and freight traffic and is one of the railways in the nation under the worst strains today.

## Function in Road Network

The Zhejiang-Jiangxi Railway is the main artery of transportation between the east and west south of the Chang Jiang. Its eastern terminus links up with the Shanghai-Hangzhou Railway, while its western end is connected to the Beijing-Guangzhou and Hunan-Guizhou railways. It has four trunk lines--Hangyong (Xiaoshan-Ningbo), Anhui-Jiangxi, Yingtan-Xiamen, and Nanchang-Jiujiang, six feeder lines--Hangchang (Hangzhou-Niutoushan), Jin(hua)ling-(hou), Xiangle (Xiangtang-Jiangbiancun), Fen(xuan)wen(zhu), Li(ling)cha(qinglu), and Zhang(jiashan)tang(shangtan), all feeding traffic into the Zhejiang-Jiangxi Railway, thus vastly increasing the latter's "catchment area." Together, main and feeder lines form a network connecting such provinces and municipalities as Shanghai, Zhejiang, Fujian, Jiangxi, Anhui, and Hunan, strengthening the flow of goods and materials between the coast and the interior and giving an impetus to the development of industry and agriculture.

The Zhejiang-Jiangxi Railway is also the only communications line joining the Shanghai economic zone with the southern part of east, central, and southwestern China. It makes up one-third of the 2,400 km of railways (the Shanghai-Hangzhou, Zhejiang-Jiangxi, Hunan-Guizhou, and Guiyang-Kunming railways) linking Shanghai and Kunming. As a result, it is vital not only in the road network in east China but also nationwide.

## State of the Railway

Owing to limited resources and low technical standard, the Zhejiang-Jiangxi Railway was first constructed as a light railway. Its gradient was limited to 1 percent. At its smallest, the curve radius was 250 meters. The effective length of the arrival-departure tracks was highly uneven, ranging from 260 to 620 meters.

After liberation, as the state rushed to repair the Zhejiang-Jiangxi Railway, it also modernized its old equipment. Over the past 3 decades and more, the railway was overhauled several times to keep up with a developing economy. In addition, a string of measures aimed at beefing up the railway were taken, such as increasing the number of stations (building new stations), lengthening tracks, expanding marshalling yards, multiple- or double-tracking sections of the railway, and increasing scheduling frequency. Consequently, equipment was upgraded and transport capacity increased.

Essentially the state of the railway is this: As of late 1985, 66.7 km of the railway had been multiple-tracked and turned over for us, 62 km had been doubled-tracked, its restricted gradient is 0.6 percent, and its minimal curved radius, 264 meters. The effective length of the arrival-departure tracks has been increased to 720 meters. Advanced steam engines are now in use. Its haulage capacity is 2,400 and 2,300 tons east and west of Yingtan, respectively. There are 114 stations along the entire railway, including 87 double-truck stations or 76 percent of the total. The fact that loading and unloading take place at each station disrupts traffic quite considerably.

Technical stations include the following: Nanxingqiao marshalling station, horizontal, grade 1 yard 2, simple hump; Yingtandong marshalling station, vertical, grade 2 yard 2, mechanical hump; and Zhuzhoubei marshalling station, vertical, grade 3 yard 3, mechanical hump.

There are sectional stations in Jinhua, Shangyao, Xiangtangxi, Xinyu, and Pingxiang.

As for methods of blocking, apart from the section between Xiangtangxi and Xinyu, which uses concentrated scheduling, it is relay semiautomatic blocking the rest of the line.

Much progress has been made in improving signaling equipment at railway stations. So far 5 large stations, 2 intermediate stations, and 107 small stations for electric interlocking have been completed and put into service. This has done much to increase the pass-through capacity of stations.

The Zhejiang-Jiangxi Railway is located in a region of lakes and rivers in south China where flooding is frequent. At the moment, only dikes and dams stand between the railway and flooding to ensure operational safety. At the peak of the rainy season, the flood level is sometimes higher 3 to 4 meters above the ties. Ever since it was opened to traffic, 134 km (post-liberation statistics) of the railway in all have been damaged by flooding to different

degrees. For instance, the roadbed was destroyed and washed away and the ties were flooded. In the worst flooding, transportation was halted for 12 days and the railway suffered heavy losses.

#### Busy Passenger and Freight Traffic

The growth of transportation volume on the Zhejiang-Jiangxi Railway is directly related to economic development in the three provinces of Zhejiang, Jiangxi, and Hunan. Among industries along the line are two major coal mines in Fengcheng and Pingxiang; the Xinyu and Pingxiang iron and steel works and Jiangxi steel plants; Yongping copper mine, which produces a high-grade copper and will soon develop into a copper base in northeast Jiangxi (with one-quarter of the nation's copper reserves) with Dexing copper mine; the Chaoyang phosphorus mine, Jiangshan cement plant, and other bases of industrial raw materials, such as Yushan limestone and timber. Native and local products also abound and are sold throughout the country. Goods and materials from other provinces also stream into the region along the line in an endless flow.

The volume of rail freight has been increasing year after year, having expanded 3.5-fold between 1965 and 1981. Over the past few years, goods shipped from Zhejiang and Jiangxi to other provinces have been going up at the rate of 8 percent, while the volume of goods flowing from other provinces to Zhejiang and Jiangxi has also been increasing at the same rate of 8 percent on the average. At present the average annual growth rate of freight on the railway is 9.7 percent, basically the same as the volume of freight handled by the railway in 1980, 16 million tons (the capacity utilization rate has topped 10 percent). Since the projected freight volume by 1990 is 20 million tons, the transport capacity of the railway has fallen far short of the needs posed by rising traffic.

As economic reform becomes more thoroughgoing and tourism develops, the railway has been under immense strains as a passenger carrier and is seriously overloaded, 30 percent at originating stations and 70 percent midway. In 1980, 10 pairs of tourist trains were put into service, and projections call for 22 pairs to be in operation by 1990. Thus competition between transport capacity and the volume it has to handle, and between passenger traffic and freight traffic, is very keen.

#### Measures to Expand the Railway

These are the principles behind the technological transformation of the Zhejiang-Jiangxi Railway; invest in stages, benefit from it in stages, and take different modernization measures in different sections so as to maximize the transporting capacity within a relatively short period of time using relatively little investments. Apart from saturated capacity and crowded stations, the leading constraint on the transport capacity of the Zhejiang-Jiangxi Railway is the strategically located Qiantang Jiang Bridge. The bridge is single-tracked and has reached a saturation point. Its existing capacity is 77 pairs, of which 71.5 pairs are currently in use, and projections call for an increase in the number to 102 and 117 pairs in 1999.

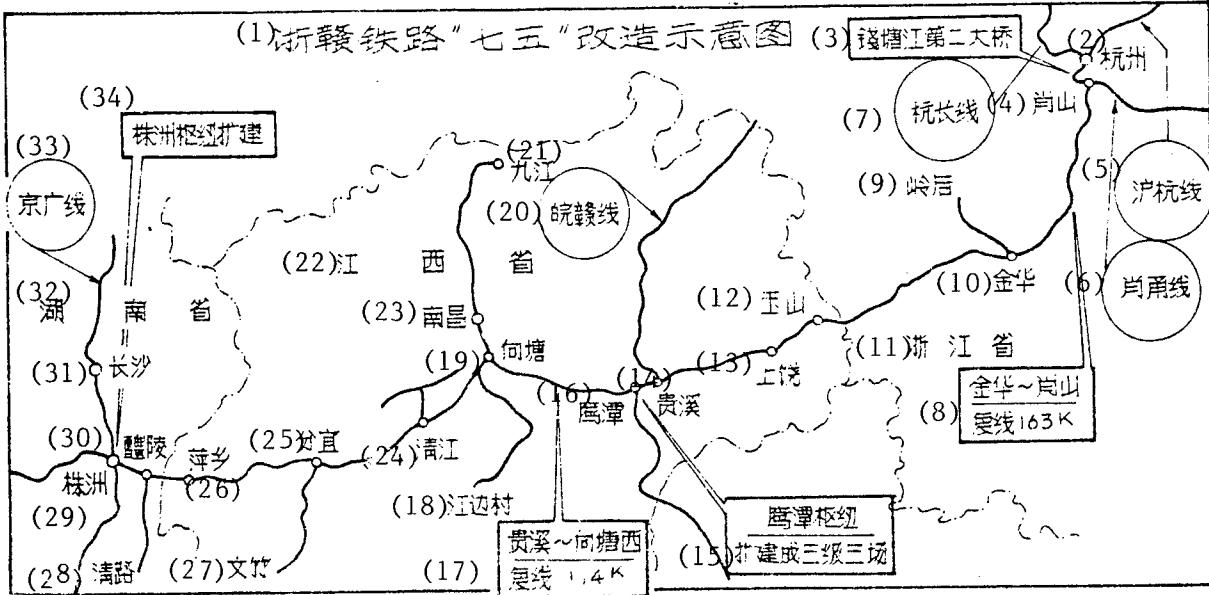


Figure 1. Overhauling the Zhejiang-Jiangxi Railroad in the 7th 5-Year Plan  
Sketch of the Overhauling

Key:

1. Sketch of the Overhauling of the Zhejiang-Jiangxi Railroad in the 7th 5-Year Plan
2. Hangzhou
3. Second bridge over Qiantang Jiang
4. Xiaoshan
5. Shanghai-Hangzhou Railway
6. Xiaoyong Railway
7. Hangchang Railway
8. Jinhua-Xiaoshan Railway--to be multiple-tracked, 163 km
9. Linghou
10. Jinhua
11. Zhejiang Province
12. Yushan
13. Shangyao
14. Guixi
15. Yingtan hub--to be expanded to grade 3 yard 3
16. Yingtan
17. Guixi-Xingtangxi line to be multiple-tracked, 114 km
18. Jianbiancun
19. Xiangtang
20. Anhui-Jiangxi Railway
21. Jiujiang
22. Jiangxi Province
23. Nanchang
24. Qingjiang
25. Fenyi
26. Pingxiang
27. Wenzhu
28. Qinglu
29. Zhuzhou
30. Liling
31. Changsha
32. Hunan Province
33. Beijing-Guangzhou Railway
34. Zhuzhou hub--to be expanded

and 2000, respectively, far short of what is needed. As the bridge is the vital link in the railway, a second Qiantang Jiang bridge must be built.

The railway strategic plan in the 7th 5-Year Plan has incorporated the Zhejiang-Jiangxi Railway into the 16,000 km of railways slated for upgrading and transformation.

Among the major transformation measures are these:

1. Speed up multiple-tracking in the two control regions: 163 km from Jinhua to Xiaoshan and 114 km from Guiqi to Xiangtangxi. Elsewhere, double- or multiple-tracking will be carried out as required.
2. Build a second Qiantang Jiang bridge, possibly doubling its capacity.
3. Expand Yingtan and Zhuzhou marshalling yards. At present the former is a grade 2 yard 2. Because the tracks at the yard are poorly planned, the intersections cause too much disruption, there are too few classified lines at the station, the departure of trains is affected, and marshalling capacity has reached saturation. In 1979, ministerial approval was obtained to expand it to grade 3 yard 3 and construction began in 1980. Phase 1 of the project was completed in 1985, covering Nanchang (grade 1 yard 2), Yingtan south station, and a large general freight yard. The capacity of the marshalling yard has been improved.

During the 7th 5-Year Plan, a grade 3 marshalling yard will be built at Yingtandong. Under the plan, a temporary grade 3 yard 3 yard will be built by 1988. Related projects and the expansion of Yingtanxi passenger station will be completed by 1990.

At Zhuzhou marshalling yard, more will be built and the hump will be modernized.

4. Unify haulage, replace steam engines with Dongfeng 4 internal combustion engines. Increase haulage capacity to a uniform 3,000 tons. At present it ranges from 2,300 to 2,400 tons.
5. Lengthen the effective length of from 720 meters to 850 meters to meet the haulage needs of large locomotives.
6. Adopt automatic blocking, scheduling concentration, and other advanced signaling equipment.

Through the above-mentioned modernization measures, the Zhejiang-Jiangxi Railway will become much better equipped technologically and can essentially meet the needs of passenger and freight traffic in 1990.

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## BRIEFS

INTERNATIONAL BUSINESS MONTHLY 1ST ISSUE--Beijing, August 8 (XINHUA)--The first issue of the INTERNATIONAL BUSINESS MONTHLY (English edition) was published recently by China's Ministry of Foreign Economic Relations and Trade, and is now distributed both at home and abroad. The monthly English edition aims at helping China understand the world and giving the world an insight into China. It promotes the policy of opening china to the rest of the world and expansion of China's economic cooperation with other countries. The monthly will introduce the country's new laws and regulations concerning foreign economic relations and trade, and latest developments in China's foreign economic relations and trade. It provides a consultation service in investment in China. It also regularly publishes statistics on China's trade. The first issue of the monthly carries special articles such as "Sino-Japanese trade: Deficit Suffered by China" by Shen Jueren, assistant minister of foreign economic relations and trade, and "China Steadily Reforms Her Foreign Trade System" by Zhou Xiaochuan, commissioner of the State Commission for Restructuring Economy. Other articles include "Shanghai on Its Way Toward an Export-oriented Economy" by Jiang Zemin, mayor of Shanghai, regulations of the Bank of China concerning loans to enterprises with foreign investment, and statistics on China's total value of imports and exports between January and April 1987. [Text] [Beijing XINHUA in English 1339 GMT 8 Aug 87 OW] /6662

CSO: 4020/252

## PAN YAO ON REFORM OF SUPPLY, MARKETING SYSTEM

Beijing NONGCUN GONGZUO TONGXUN [RURAL WORK NEWSLETTER] in Chinese No 5,  
5 May 87 pp 30-31

[Article by Pan Yao (3382 6674), Vice Minister of the Ministry of Commerce  
and Acting Chairman of the All-China Federation of Supply and Marketing  
Cooperatives: "Further Intensifying Reform of the Supply and Marketing  
Cooperative System"]

[Text] A 1987 Central Committee document on rural reform indicated  
that "Based on the cooperative principle, supply and marketing co-  
operatives should be transformed as quickly as possible into cooperative  
commercial peasant organizations, to perfect the system of commodity  
production." Reform of supply and marketing cooperatives must absolutely  
not stop at restoring their "three characteristics," nor should we be  
satisfied with the status quo of just doing a passable job each day. It  
should be seen that development of a commodity economy by peasants has  
placed very high demands on supply and marketing cooperatives. Supply  
and marketing cooperatives should feel that time is of essence and not waste  
it. The principles for reforming supply and marketing cooperatives  
are as follows: 1. Supply and marketing cooperatives must truly change  
from being run by the government to being run by the people, becoming  
part of the collective, cooperative peasant economy in reality as well  
as in name; 2. Supply and marketing cooperatives should engage in multi-  
purpose economic undertakings and serve development of the rural commodity  
economy in many ways; 3. Reform policies and measures should be revised  
to truly treat supply and marketing cooperatives as collective enterprises;  
4. Reform of supply and marketing cooperative organizations must begin  
at the basic level. The functions of the united county commune will also  
have to be correspondingly revised in order to favor reform of grass  
roots cooperatives.

There are many favorable factors in intensifying reform of supply and  
marketing cooperatives: 1. Having undergone several years of reform,  
supply and marketing cooperatives in all areas have cultivated certain  
approaches and accumulated a certain amount of experience, and a number  
of advanced models have emerged. If we conscientiously summarize these  
experiences and models, link up the parts to form a whole system, and  
begin to popularize it, a general advance can be realized; 2. The

management network has been expanded, circulation facilities have been improved, and the material base and steps to serve commodity production have been strengthened; 3. Party and government departments at all levels have stressed and supported reform, and many localities have revised their policies, thus creating the conditions to reform supply and marketing cooperatives; 4. Most staff members and workers, and those in basic-level enterprises in particular, strongly desire reform. If our policies are correct and our leadership good, and if the people's enthusiasm is aroused, reforms will be more successful. Thus, we will have to unify our understanding, put our relationships in order, and study ways to intensify our reforms.

#### The Relationship Between Supply and Marketing Cooperatives and Peasants

It will be necessary to further develop economic alliances, ensuring that cooperative members enjoy the rights to which they are entitled and are truly regarded as the owners of their cooperatives. This will be a major indication that supply and marketing cooperatives have become part of the collective, cooperative peasant economy. In order to realize this goal, it will be necessary to accomplish the following tasks: 1. Based on the voluntary participation of cooperative members, it will be necessary to continue to develop ways to absorb their share funds or ways for them to raise funds to set up joint ventures with peasants; 2. Based on carrying out the contract system, it will be necessary to develop a system of acting-management, or one of bonus-sharing based on agricultural product sales volume, changing the purely business relationship into one of serving management; 3. Affairs must be handled strictly according to supply and marketing cooperative regulations, and major decision-making in such areas as business management, financial distribution, and leading group revision will have to fully respect the democratic rights of cooperative members and be supported by party and government departments. From now on, respect for the democratic rights of cooperative members will have to be regarded as a major criteria in assessing the proficiency of basic-level leading groups.

#### The Relationship Between Supply and Marketing Cooperatives and the State

It will be necessary for supply and marketing cooperatives to take the overall situation into account, both actively carrying out the duties that are entrusted to them by the state, and also safeguarding their own legal rights and interests: 1. They will have to actively undertake and fulfill to the letter the duties that are entrusted to them by the state. Loans to supply and marketing cooperatives for technological transformation and capital construction are listed in state plans; 2. As long as they abide by state policies, laws, and decrees, supply and marketing cooperatives must be guaranteed the authority to manage themselves independently. No department should engage in such practices as equalizing, indiscriminately transferring, or seizing the funds or property of supply and marketing cooperatives, assigning or transferring their personnel, or restricting their legitimate management activities; 3. Supply and marketing cooperatives at all levels should carry out a

system of independent accounting, assuming sole responsibility for their profits or losses, and paying income taxes to the state, and should not be held responsible for any losses that are incurred due to revised policies. The level that makes the decision must compensate any losses that are incurred due to carrying out duties or policies that are assigned or revised by the state. The State Council has now agreed in principle that past policy losses that were caused by price readjustments will be compensated according to the 1985 year-end book value. Enterprises should first deal with this by registering their account books with public finance for discounting, and all areas should carry it out according to the relevant stipulations. All areas should actively strive for local settlements of past economic losses that were caused by local decisions; 4. The purchase and sale of products that are entrusted to relevant departments should be jointly agreed upon by supply and marketing cooperatives and the relevant departments, the agreements should be signed, and the duties of both sides should be clarified and jointly organized and carried out.

#### The Relationship Between Basic-Level and Joint Supply and Marketing Cooperatives

It will be necessary both to maintain the relatively independent status of each supply and marketing cooperative, and also to combine them and develop their joint advantages. Supply and marketing cooperatives were organized on the principle of each carrying out independent accounting, assuming the sole responsibility for its profits or losses, and carrying out democratic management. Joint cooperatives at all levels are mass organizations that combine basic-level supply and marketing cooperatives is one of equality, while the working relationship is one of guidance, coordination, service, and supervision. Based on this principle, it will be necessary to further simplify the administration of supply and marketing cooperatives, expand their authority, and increase their powers of independent management. Of course, expanding their authority does not mean not managing them, but only that the principal future management will be improved guidance, coordination, and supervision by the state.

#### On Handling the Relationship Between Internal Reform and External Conditions

It will be necessary both to persist in putting all relationships in order and ensure that all reforms are coordinated, and also to improve internal management, perfect the management mechanism, and make improvement of management vitality a prerequisite for doing a good job of self-reform. Since the purchase and sale policy for agricultural sideline products was revised, the phenomenon has appeared of "everyone vying for goods that are in short supply and great demand, while no one wants those that are unmarketable." In addition to carrying out joint management of the production links for the products that have been deregulated, supply and marketing cooperatives in all areas should also take the following management reform steps: 1. They should act as marketing agents for farmers or purchasing agents for factories in handling perishable goods

and industrial raw materials that directly enter markets or factories; 2. They should first set provisional prices for products that need to be processed, and then recover the profits from the increased value after processing according to the product sales volume; 3. They should carry out joint- or self-management of products which must be transported long distances to be sold or have a long turnover cycle. Practice had proved that adopting different management methods for different products is favorable both in regulating the relationship between the rights and interests of supply and marketing cooperatives and farmers, and also in improving enterprise management. Reform of the marketing system for watermelons in Beijing Municipality is an example of this. In the past, Beijing marketed 100-150 million kg of watermelons a year, with state subsidies of 2-3 million yuan. In 1986, production, management, and prices were deregulated and 255 million kg of watermelons went on the market. Municipal supply and marketing cooperatives organized 40 wholesale markets, acted as marketing agents for melon farmers, and took only a 1-percent commission. Consequently, the producers, consumers, and managers were all satisfied without the use of state subsidies. As to internal management, it will be necessary to improve the special output-related contract system. In the past, the output-related job responsibility system was generally stressed for shop employees and food and drink service personnel alone, while not enough attention was paid to setting it up for buyers, salesmen, and assistants in the diversified economy. Practice has proved that an enterprise's management success depends to a great extent on the breadth of its trade routes, the marketability of its merchandise, and the rationality of its prices. A strong sense of responsibility among buyers, salesmen, and assistants in the diversified economy is a key factor here. In further intensifying reforms, it will be necessary to stress reform of all internal management systems, arouse the people to offer advice and make suggestions, and tap the internal potentials and enhance the ability of supply and marketing cooperatives to accumulate and grow on their own through improving their management and administration.

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TAIWANIZATION OF ARMED FORCES DISCUSSED

Hong Kong KUANG CHIAO CHING [WIDE ANGLE] in Chinese No 176, 16 May 87 pp 70-72

[Article by Sun Pi-wei [1327 4310 3837]: "Prospects For High Ranking Taiwanese Officers on Taiwan"]

[Excerpts] In the wake of a succession of major changes among high ranking officers on Taiwan, major transfers have begun among high ranking Taiwanese military officers on Taiwan.

The 74 year old Cheng Wei-yuan [6774 3634 0337] has replaced Wang Tao-yuan [3076 6670 3220] as "Minister of National Defense."

The former Taiwan Deputy Minister of "National Defense," Chang Kuo-ying [1728 0948 5391] has been transferred to become the director of the Executive Yuan Retirement Assistance Committee in Taiwan.

High level military personnel are just beginning to move around.

In the course of this high level reorganization, Chiang Ching-kuo has promoted quite a few personnel of Taiwanese origin to leading positions such as Lin Yang-kang [2651 3152 3263] to the "Judicial Yuan director" and Lien Chan [6647 2069] as deputy director of the "Administrative Yuan." In the transfers currently taking place in the armed forces, will Chiang Ching-kuo also make a major effort to promote a number of high-ranking officers of Taiwan origin to positions of military authority? This is an important issue affecting the future of Taiwan; consequently, everyone is concerned about it.

Ever since Chiang Ching-kuo appointed a trusted follower, the commander of his household guard, Chou Chung-nan [0719 0112 0589], to the position of commander of the military police in June 1985, simultaneously appointing Army Major General Wu Tung-ming [0702 2639 2494], a graduate of the 29th class of the Kuomintang Officer's School, to succeed him as commander of the president's palace, he has also taken pains to place high-ranking leaders of Taiwan origin in important positions in the military system. Examples include Kuomintang naval officer, Kuo Tsung-ch'in [6753 1350 6024], a graduate of the 41st class, who succeeded to the position of commander of the Tsoying Military Region; naval officer Chuang Ming-yao [5445 2494 5069], a graduate of the 40th class, who was appointed commander of the Keelung Military Region, Army major

generals Ting Chih-fa [0002 3112 4099] and Wei Fu-cheng [7279 4395 2052], each of whom was promoted to lieutenant general and army commander positions. Ch'en Ching-t'ang [7115 6975 2768] succeeded Chang Shao-kang [1729 1421 0474] as commander of the Central Police Department; and Air Force Intelligence Office Director Lin Shaojiang [2651 1421 1412] was transferred to become commander of a certain Air Force base. In addition, quite a few high-ranking officers of Taiwan origin who had recently been transferred to general headquarters to undergo training quickly received orders for assignment to important positions elsewhere. The dispatch about the incumbent commander of the Taiwan Garrison Command, General Ch'en Shou-shan [7115 1343 1472] is news that has attracted even more attention.

In fact, as far as the crisis that the military system currently faces is concerned, Chiang Ching-kuo must fully complete the transfer of power in the military system in Taiwan within the next 1 or 2 years so that stability in the political situation can be assured in the "post-Chiang Ching-kuo era," and so that stable development of the military system can occur within the limitations of "regularization" simultaneous with Chiang Wei-kuo "watching over the armed forces" and "watching over the country."

What serious problems does the military in Taiwan face at the present time?

Internal crises within the military system on Taiwan today are as follows:

A. Overage military leaders and "long occupancy of high positions" that they are unwilling to vacate despite age. This has made impossible the effective implementation of the military system's personnel promotion system, its term of office system, its rotation system, and its retirement system, and has created extraordinarily serious "personnel dislocations" in the military system, which have resulted in instability within the military system.

B. Since there is no way for the military system organization to develop normally, the overall structure of the military system has become distorted. As a result, the policy of Taiwanizing the military system has come to a halt. The overemphasis on backers and family background in the leadership nucleus of the military system has meant that some high-ranking Taiwanese officers who are lacking backers or background are in a position of having no hope of being promoted or filling a vacancy. They can neither be content in their positions nor have they reached the age of retirement, and they have become a rather thorny "provincial origins problem" and a "political problem" within the military system.

c. The second crisis derives from the first crisis. This is because in the current Kuomintang military system, the provincial composition is extremely distinctive. Taiwan's armed forces number approximately 480,000 (not including reserve units), approximately 98 percent of them being soldiers and non-commissioned officers, officers accounting for 2 percent. This means that more than 9,600 military officers are company grade or above. Of these, only approximately 700 are general grade officers (not including general grade officers in the reserves). Of these generals, at most only 60 have command authority (major general division commanders and above). In other

words, it is these 60 officers who hold the real power for the development of a future secure political situation.

Let us take a look at the percentage of personnel from various provinces in the military system. The provincial composition of military forces on Taiwan has changed greatly since the Chiang Kai-shek era (see table). Approximately 75 percent of the 480,000 man regular armed forces in Taiwan are of Taiwan origin, approximately 25 percent hailing from other provinces. Eighty percent of enlisted men and noncommissioned officers are Taiwanese; 20 percent are from other provinces. Conversely, though the trend is toward increase in the percentage of military officers of Taiwan origin; nevertheless, the percentage of officers from other provinces remains higher than from Taiwan. This is particularly true for general officers where the ratio is six to one. The higher the grade the smaller the number of those of Taiwan origin.

Table Showing Provincial Composition of Kuomintang Armed Forces on Taiwan

Time Period	General Grade		Field Grade		Company Grade		Enlisted Men & Non-Coms	
	Other Origin (%)	Taiwan Origin (%)	Other Origin (%)	Taiwan Origin (%)	Other Origin (%)	Taiwan Origin (%)	Other Origin (%)	Taiwan Origin (%)
1965 (Era of Chiang Kai-shek regime)	98.7	1.3	90.4	9.6	86.2	13.0	47.2	52.8
1978 (Period when Chiang Ching-kuo began to take full control)	92.6	7.4	81.2	18.8	65.3	34.7	31.6	68.4
1985 (Eve of Chiang Ching-kuo reforms)	84.2	15.8	67.4	32.6	51.7	48.3	21.3	78.7
1987 Eve of major changes in upper levels of Taiwan military	83.1	16.9	65.7	34.3	50.3	49.7	19.8	80.2

Many people used to believe that the imbalance in the provincial composition of the military system was entirely attributable to the Kuomintang's distrust of the local Taiwanese and the implementation of defense on the basis of provincial origins. In reality, however, a look at the Kuomintang's overall military preparedness policy shows that one-half of the high ranking cadres in the civil system have been Taiwanized, and in the military system too, from the time of Chiang Kai-shek to Chiang Ching-kuo, there has been a "continuous" policy of Taiwanization in the military system even to the point of this policy having given rise to the dispute between Sun Li-jen and Ch'en Ch'eng.

One senior officer said that on the eve of the Kuomintang's retreat to Taiwan, Chiang Kai-shek ordered that 77 Taiwanese students in the 23rd class of the general officer's school, together with Taiwanese military cadres, be transported by air to their native province where Ch'en Ch'eng would plan their overall utilization. Unexpectedly, Ch'en Ch'eng did not do this. He neither "assigned" them nor "disbanded" them. He simply ordered that these personnel who had returned to serve in their native province be placed in a certain barracks area and be allowed to languish. At this time, Sun Li-jen, who was on Taiwan, traded on his individual reputation to half draft and half recruit a number of Taiwanese youths for military training in order to use them as a source of replacements. When Sun found out that Ch'en Ch'eng had some Taiwanese military cadres under his control, he repeatedly requested Ch'en Ch'eng to "release" them. However, Ch'en Ch'eng felt that because of the disproportion in provincial origins in "service," Sun Li-jen repeatedly overemphasized "local province compatriots" and gave them too much military training. Should the situation change suddenly, the national foundation might be shaken. Ch'en Ch'eng's intransigence caused Chiang Kai-shek to delay for 2 or 3 years the implementation of his "military system Taiwanization" policy.

In 1950, the conflict with Ch'en Ch'eng over the implementation of a conscription system in Taiwan that involved Taiwan Provincial Governor Wu Kuo-chen (0702 0948 4394] and Taiwan "Army Commander-in-Chief" Sun Li-jen became increasingly intense. Ch'en Ch'eng believed that until such time as the overall situation had stabilized, a "Taiwanese" armed force should positively not be built.

In the dispute between Ch'en Ch'eng on the one hand and Sun and Wu on the other, Chiang Kai-shek had his own ideas. He knew that it would not be easy to foster loyalty to his generals, and that time would be required to solve this problem. Consequently, he came up with the idea of informing Japanese military advisor Pai Hung-liang [4101 7703 0081] [the military commander-in-chief of Japan's invasion of China, Okamura Yasuji [1481 2625 1380 2945]] and associates, and he asked Pai Hung-liang and his associates to devise a good plan. Following study by Pai Hung-liang and his associates, Chiang Kai-shek put forward a method for carrying out a policy of "Taiwanizing the military system," the actual steps in which were as follows:

A. Encouragement of young military officers to intermarry with Taiwanese women, intermarriage serving as a means of reducing the estrangement caused by provincial origins. Since most military officers had left their native villages by themselves and had no family connections, one by-product of the intermarriage system was a widening of young military officers' acquaintances and an indirect widening of the social foundation of the Kuomintang. Currently, approximately one-third of senior officers wielding military power (the 24th through the 29th officer's school classes) have "Taiwanese women" wives. The social intercourse resulting from this system of marrying a government servant made many senior officers "have a sense of identity" with Taiwan, and it ameliorated the tendency toward confrontation among people of different provincial origins.

B. Institution of a military school admission recommendation system to encourage outstanding Taiwanese students to enter military school for further study and to become persons to be brought along in the future. In fact, most Kuomintang generals of Taiwan origin now on active duty such as Ting Chih-fa, Chuang Ming-yao and Kuo Tsung-ch'in were promoted through this route. However, further careful analysis shows that during the period when recommendations for admission to schools were made, the leadership stratum in the Kuomintang military system attracted mostly students of Taiwan origin who entered technical branch of service officers schools such as Navy officer or Air Force officer schools. Relatively speaking, generals with an Army officer background were fewer than from the Navy and the Air Force. This phenomenon obviously affected the military system in another way. In Taiwan, the army system has always been the mainstream in the military system; consequently, the Army has always held a pre-eminent position in personnel promotions, in assignment of troops and in apportioning of the budget. Thus eclipsed, the Navy and the Air Force had no choice but to be slavishly dependent on the army. As one general said, "Perhaps the fairly large numbers of generals of Taiwan origin in the Navy and Air Force is rather in keeping with the traditional Taiwan political situation!"

C. The selection of Taiwanese military cadres to take part in advanced education in the Kuomintang military has enabled Taiwanese military cadres to avoid future factional disturbances in the armed forces and to rely on their military and political record in getting promoted. Chiang Kai-shek made Yu Po-ch'uan [0151 0130 3123], Hou [one character indistinct] [0186] and Chiang Wei-kuo responsible for carrying out this policy.

But why is the percentage of Taiwanese generals at a high level in the armed forces so low? The crucial reasons are as follows:

A. Taiwanese have not had a long history in the armed forces; they cannot be dovetailed with the military tradition. The military tradition is a continuation of the Eastern Campaign, the Northern Expedition, the civil war between the Kuomintang and the Communists, and the War of Resistance to Japan of the mainland era in which few Taiwanese had a part and who began to participate only after the government moved to Taiwan. Thus, their history of participation in the armed forces has been for only 39 years, so it has not been easy for them to rise to the rank of general.

B. Because of their short history in the armed forces, Taiwanese military officers lack backers among Kuomintang military system leaders. Unless given a boost by the authorities, Taiwanese military officers must await patiently; otherwise they will find promotion difficult.

C. Higher levels are uneasy and apprehensive.

As the 1970's came to a close, antiquated generals retired from service and passed away and the military system underwent change. During the early 1980's, military strong man Hao Po-ts'un [6787 2672 2625] was appointed "chief of general staff," and the Taiwanization policy took a new turn.

After Hao Po-ts'un accession, steady vigorous efforts were made to promote Taiwanese military officers to command posts, the most notable effort being Hao Po-ts'un's order: "Whenever a vacancy occurs henceforth in a field grade level officer senior position, it is to be filled by a qualified Taiwanese military officer." During the past year, Hao Po-t'sun has successively requested that authorities fill major general positions, all of them through the promotion of a Taiwanese general. Reportedly, though Hao Po-ts'un has had his way in these appointments, they have caused extremely intense shock waves in the armed forces.

Now, with the high level reorganization and the major transfers taking place in Taiwan's armed forces, Hao Po-ts'un's position today is not what it had been. In the present world in which all the high ranking generals in Taiwan were trained in the Whampoa system during the mainland era, will the upper levels of the armed forces accelerate the "Taiwanization" policy? What are Chiang Ching-kuo's plans in regard to this issue? I believe the answer to this riddle will soon be revealed!

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TAIWAN

PROFILE OF JUDICIAL YUAN'S NEW PRESIDENT LIN YANG-KANG

Hong Kong KUANG CHIAO CHING [WIDE ANGLE] in Chinese No 176, 16 May 87 pp 52-55

[Article by Ti Pai-chu [3695 2672 4555]: "Lin Yang-kang, an Influential Taiwan Figure"]

[Excerpts] Lin Yang-kang [2651 3152 3263] is a native of Nant'ou County, Taiwan Province. He was born in 1927 in Toushe Village of Yuchih Township, which is near Sun Moon Lake. When he was little, besides herding cows, he cut firewood, spread manure, and worked in the fields. This made Lin Yang-kang familiar with agriculture. His wife is also from the rural areas, being a peasant woman from a village in Nantou County.

There was nothing very extraordinary about the course of Lin Yang-kang's childhood and growth to maturity. If the circumstances and the times had not changed, he very likely would have received part-farmwork and part-study instruction and have sworn an oath to this clan, or even led a life of farming. However, he understood how to study assiduously and make use of opportunities, in addition to making efforts, so that in the days to come he took advantage of circumstances to rise to his respected position today (Yuan president) and member of the Standing Committee of the KMT Central Committee.

In 1941, when Lin Yang-kang was 14 years old, he went to Tokyo, Japan, to attend middle school.

Lin Yang-kang spent his middle school years in Japan, and at the age of 18 he returned to Taiwan to attend college. During his university time, he studied in the Political Science Department of Taiwan University. This student career perhaps cultivated in him the idea of engaging in politics, or perhaps it only led him to take the path in the future that would give him an occupation for earning a living. However, his fundamental ideal of making his country and people prosperous, as well as his interest in historical and classical anecdotes, trained him for his development in the days to come.

In 1951, after graduating from college, Lin Yang-kang worked in a basic-level administrative unit the Nantou County government in Taiwan. Like a normal young man, he married and fathered a son. All day long he was busy making money to pay for the chief daily necessities. At this time local elections were being held in Taiwan, and the Taiwan KMT was also beginning organic local

building in the townships and towns in order to hold all political power in Taiwan. Lin Yang-kang was one of a group of personnel ordered to go to various localities to promote government decrees. His eloquence and clear, logical thinking attracted the local populace, making him an appealing figure, and he became one of a small number of basic-level officials of the KMT government who were welcomed.

Since 1951, when he was a member of a basic-level section, Lin Yang-kang has been a section chief, a secretary in the Taiwan provincial government, the principal member of the Yunlin County branch of the KMT, the magistrate of Nantou County, the director of the Construction Department of Taiwan Province, the chairman of the Taiwan provincial government, the "minister of interior," the vice president of the "Executive Yuan," and the president of the "Judicial Yuan." His 36 years of experience in government have given him a unique style, and in all strata of society he has wide influence and affinity.

In the sixties, the development of Taiwan's agriculture gave Taiwan an embryonic industrial society. A group of newly arising entrepreneurs and the second generation of landlords in the agricultural society began, in the changed political climate, to enter politics. This group of KMT young people in the rural society, one after another, tried to get nominated for local elections so as to run for public office. Relying on his individual reputation, Lin Yang-kang got himself nominated for the post of fourth magistrate of Nantou County, but in the election he was defeated by Yang Chao-pi [2799 25907 3880]. Disappointed but not admitting defeat, Lin Yang-kang took a secretarial post in the Taiwan provincial government, and did oral interpretation work in the Chinese and Taiwanese languages for Taiwan Governor Huang Chieh [7806 2638] in the Taiwan Provincial Legislative Assembly. This was an unimportant but worthwhile job. By doing it he was able to observe the inner mysteries of the KMT's legislative politics and all kinds of backstage deals. At the same time he also got the opportunity to get close to Huang Chieh. Huang Chieh recognized the worth of Lin Yang-kang, who from this time on climbed up the official ladder.

Lin Yang-kang later became the magistrate of Nantou County. Because the government affairs were troublesome, naturally at that time he did not work in the fields. When Chiang Ching-kuo was "president of the Executive Yuan," he regularly made tours of inspection everywhere. Once--it is not known whether he had learned beforehand that Chiang Ching-kuo would be going to Yuchih Township on a visit--Lin Yang-kang suddenly cast aside official business and returned to his old home in Yuchih, where he rolled up his trouser legs, donned a bamboo hat, and went into the fields to weed. As it happened, at this time Chiang Ching-kuo came to visit. Seeing this dignified county magistrate being still able to make nothing of hard work and going into the fields to labor, Chiang Ching-kuo immediately felt rather "gratified." In an extremely natural manner, Lin Yang-kang invited Chiang Ching-kuo into his home for "tea." Lin Yang-kang prepared for his guest some coarse vegetable, meat, and fish dishes that villagers often ate. Unexpectedly, they quite satisfied Chiang Ching-kuo's appetite, and during the feast the talk was free and cheerful.

This incident made a very good impression on Chiang Ching-kuo. From this time on, he made frequent visits to Lin Yang-kang, either inquiring about the condition of the people or engaging in small talk. It is believed that the fact that from this time on Lin Yang-kang had smooth sailing in his official life was not unconnected with this "hsiu" of "going into the field to work" ("hsiu" is a word used by Taiwan intellectuals to mean show, performance, or appearance).

I recall that when he was the mayor of Taipei, the Taipei government was planning to build the Feitsui Reservoir in order to solve the problem in Taipei of rain bringing disaster and no rain bringing drought. A certain amount of public opinion at that time held that the building of the Feitsui Reservoir would be no different than placing a bomb on top of Taipei city: especially in a period of war, if this reservoir were to be blown up, within several hours all of Taipei City would be under water, and so it must never be built. However, Lin Yang-kang stuck to his own view and disregarded the pressure of public opinion. In a moment of desperation, he went so far as to say: "Even if all of Taipei is submerged, we must make the problem of drinking water the first problem to be solved!" His words caused a big uproar in public opinion, and many critical writings and taunting cartoons appeared thick and fast.

That people call Lin Yang-kang the "KMT's superman" is mainly because of his eloquent tongue. His ability to keep in check the pressure from the KMT's political opponents stems from this tongue. His propensity to suddenly "freeze" also stems from this tongue. It may be said that the praise and blame for him while he has been in government have their cause in this tongue, and his tongue is closely linked to his reputation for being able to hold his liquor.

Basically, Lin Yang-kang shows quite a lot of daring and resolution in doing things, and he is not unable to make decisions. During his terms as Taipei mayor, Taiwan governor, and minister of interior, he has made many specific contributions, for example, the improvement of the "Water Conservancy Association," his plan for repairing and building the Taiwan Province Sea Wall, his establishment of the Water Company, and his plan for building viaducts in the south and north of the country--in all of which he achieved outstanding results.

However, his bad habit of being fond of talking big afterward became the cause of much perplexity about him. For example, not long after he became minister of interior, he made a "big promise" in the "Legislative Yuan": within 3 months he would cause a depression in the iron-barred window--prison bar--industry! The result was that not only did he cause a protest from those in the prison bar industry, but also, because of this statement, he afterward had to publicly tell a lie in the "Legislative Yuan," saying that "Yang-kang, who is full of naivety, would not say such a nonsensical thing," causing further reproach from the outside world. In addition, like the fallacy of "only enforcing a curfew by 3 percent," he became a laughingstock in legal circles for a time.

Moreover, his bad relations with Li Teng-hui [2621 4098 6540], as well as the enmity he incurred from Wu Pai-hsiung [0702 0184 7160], it is said, were both cases of "the mouth is the primary source of calamities"--careless talk lands one in trouble. However, that Lin Yang-kang is able to gain popularity, and even admiration from those outside the party whose positions are opposite to his, is also related to this tongue of his. For example, Chen Wan-chen [7115 1238 6297], now in exile in the United States, thought that Lin Yang-kang "was an administrative talent with a most open mind" and "a senior official with a very loving heart." Furthermore, Lin I-hsiung [2651 5030 7160], a provincial assemblyman, although often having debates with Lin Yang-kang, in private made not the slightest attempt to conceal the fact that he had the impression that Lin Yang-kang was an enlightened element of the KMT who had "quite a democratic manner."

Lin Yang-kang's capacity for liquor and the quality of his liquor are both good. After many reporters drink and talk freely with him, they feel like they have been bathed by a spring breeze, considering him to be quick-witted and humorous and quite sincere in speech and attitude. Some people advised him to drink less so as to avoid harm to his health, but he thinks that drinking "promotes the exchange of feelings" and shorten the distance between one person and another, and that even if they get drunk it is a matter of no importance. With this special quality of affability, he is quite able to make people well disposed toward him.

After the question of the takeback of Hong Kong's sovereignty was brought up, and after Beijing's principles and policies for Hong Kong were divulged, Taiwan's KMT government appropriately set up a "Hong Kong Group" (or Special Case Group), which was put directly under the "Executive Yuan" and which was headed by Chu Fu-sung [4281 2329 2646], the "foreign affairs minister," at that time (Ting Mao-shih [0002 2021 2514], is the current "foreign affairs minister") and Chou Hung-tao [6650 1347 3447], "minister without portfolio."

This group has got together several times, but has not yet been able to come up with clear decisions.

Among the several questions that the "Hong Kong Group" stressed the study of, three of them are:

1. In the future will Hong Kong continue to be able to be used by Taiwan?
2. Will Taiwan organizations and personnel be able to remain in and be active in Hong Kong?
3. How is the solution of the Hong Kong problem to be prevented from causing a shock to Taiwan on the reunification question?

In 1984, the supreme authorities of the Taiwan KMT appointed Lin Yang-kang the convener of the "Hong Kong Group."

During his term as convener of the "Hong Kong Group," there was nothing interesting in his work and no breakthroughs. Therefore, he was reproached and assailed by "loyal and steadfast" figures on and off Taiwan Island.

After the United States and Japan, Hong Kong is Taiwan's third biggest trading partner. In 1986, Hong Kong and Taiwan had a trade total of \$3.3 billion, and Taiwan's favorable balance was \$2.53 billion. The KMT's higher levels think that, no matter what, Taiwan cannot do without Hong Kong. In 1986 Hong Kong people invested \$121.4 million in Taiwan businesses, an 8.42 percent increase over that in 1985. It is not clear what Hong Kong's total investment in Taiwan is, but the amount is small.

Lin Yang-kang has said that, "in order to control Hong Kong's political and economic lifelines and its freedom of speech," the Chinese communists have increased their investment and personnel in Hong Kong. However, Taiwan has no alternative. He privately revealed his thinking to several overseas figures by saying that Deng Xiaoping's idea of "one country with two systems" was a very clever, sharp trick.

With regard to Taiwan's KMT, Lin Yang-kang has said: "Hong Kong's future is covered with dark clouds." Because the Hong Kong Group is the Taiwan authorities' organization for openly studying Taiwan's future policy toward Hong Kong, after he became "president of the Judicial Yuan" he was relieved of his two posts as the Hong Kong Group convener and the vice president of the "Executive Yuan." Thus he got rid of this thankless task.

After he was rid of his post as convener of the "Hong Kong Group," his face beamed with smiles and he was extremely happy. Of course, on public occasions he still, as usual, says that the KMT government "supports the Hong Kong inhabitants' right to protect their freedom, happiness, and prosperity."

Some people have said that it was Lin Yang-kang's good luck to get rid of his "Hong Kong Group" post.

Lin Yang-kang is very superstitious. It is said that before he is transferred to another post, his family's wooden carving of a water buffalo miraculously shows a sign. This "miracle" has been tested many times and has been quite accurate. I understand that at a gathering of reporters Lin Yang-kang publicly admitted, "It's a fact."

It is said that a little over 10 years ago, when Lin Yang-kang was the magistrate of Nantou County, a friend sent him an oxcart made of bamboo from the House of Meng in Chushan. Not long afterward, a handicraft center sent him a water buffalo carved out of wood. He put these two ornaments on his county magistrate's office desk, and after a friend said that the buffalo should pull the oxcart he "hitched" it to the cart.

In 1972, not long before Lin Yang-kang was transferred to the post of director of the Construction Department, a visitor inadvertently removed the oxcart. Naturally, not long afterward Mr Lin's appointment was made known.

In 1976, before he was transferred to the post of mayor of Taipei, a young woman worker in the department directors's office, when tidying up his desk inadvertently separated the water buffalo and did not hitch it back to the

oxcart. After these two "coincidences," it is said, Lin Yang-kang began to pay attention to this water buffalo.

In 1978, before he was appointed governor of the province, one day Lin Yang-kang's grandchild was crying loudly and would not stop. His daughter took the water buffalo for her child to play with. As a result the wooden water buffalo was temporarily relieved of a heavy burden, but Lin Yang-kang was promoted to the post of governor of Taiwan Province.

Because of these "experiences," Lin Yang-kang's wooden water buffalo has a big reputation. When encountering Mr Lin, many reporters urgently ask, "Has it moved this time?"

Except for his work in the "Hong Kong Group," in which he did not make much progress, it is said that he is bold in undertaking tasks. Every time he has gone to an organization, soon afterward everybody has become active, no matter whether in the Taiwan city government, Taiwan provincial government, or "Ministry of Interior." The vigor that he brings with him is easily shown by the fact that reporters run after him for news.

Every time he is transferred to a new post, he makes a very good impression on reporters. Most reporters have had a great deal of experience with people, and they practice trickery, but on coming in contact with "Yang-kang the Worthy," they do not play tricks.

The "Ministry of Interior" was originally a "cold yamen," but once he came to it it got moving from top to bottom. He is impulsive and cordial. He speaks slowly, but his mind is quick and he is full of humor and wit. Also, when he speaks he does not show off and he displays a human touch. This point is something that is considered very difficult for KMT officials to achieve. To have been an official for so long and to not have bureaucratic airs, and to still be open, bold and generous, is something that is simply extraordinary in officialdom. In his Taiwan-accented Mandarin, the words are not correct and the tones are not full. Artists on the Taiwan stage strive against each other in imitating the way he speaks as a joke. However, on the other hand, on the contrary, because of this he has an affinity and "face," which is difficult for a really earnest party-tyrant politician to get. Therefore, in Taiwan men and women, old and young, people in the province and from other provinces, like to hear the Mandarin of "Yang-kang the Worthy," and grandfathers and grandmothers like it even more. This "native flavor" is really an extremely lively part of his political performance.

In December 1974, the 4th Plenary Session of the 11th KMT Central Committee was held, and in a free ballot he placed 4th, only behind Yen Chia-kan [0917 1367 3227], Hsieh Tung-min [6200 2639 7036], and Sun Yun-hsuan [1327 6663 3894]. This was when his popularity was at its highest, but it was also the beginning of his being envied. Because careless talk invites calamity and he is too sharp a talker, after 2 years, namely, in 1981, at the Twelfth KMT Congress his position on the namelist of the "regular session of the Central Committee" dropped from 4th to 18th.

Why was he envied? In many aspects we can see:

For example, when he visited Japan, he received a welcome far exceeding his position. His senior officials and the senior statesmen in the KMT were, of course, very uncomfortable!

For example, it is said that when he accompanied Chiang Ching-kuo on a visit to Quemoy, he drank too much and ended up sleeping in Chiang Ching-kuo's bed, and that the next day he could only remember the plot and the impressions of the film "The Story of Daniel," which he had seen the night before last.

For example, his speech inside the KMT is frank, and he often shoots off his mouth, which does not conform to court culture and makes him the object of suspicion and jealousy.

He could be the first Taiwan Province native political figure to whom the KMT senior statesman have truly paid attention, and although his previous experience was in the administrative system, he has a considerable reputation in all social strata. Among KMT officials, his mass appeal is second to none. It is this that most violates taboos, because within the KMT there is no one who truly has a mass base. Therefore, in the minds of some persons, Lin Yang-kang's showy display of his abilities will produce in the future a sense of intimidation that will not be easy to subjugate.

However, Lin Yang-kang also has very evident shortcomings. There are many gaps in his knowledge, and he has much bad logic and little sound scholarship. During his time in the Taiwan provincial Assembly, he did his job with skill and ease, but when he went to the "Legislative Yuan" and encountered sensitive questions on a fairly high level, his replies were often commonplace; no matter how eloquent he was, it was difficult for him to cover up the inconsistencies in his arguments. He has said that "there are as many laws and decrees as hairs on an ox." His "ox-hair theory of laws and decrees" precisely reveals his lack of legal concepts and training.

A Taiwan VIP once made the criticism that his mind is keen and that he dares to say what others dare not, but that his knowledge is superficial, his foundation is not deep, and he does things decisively and capably but without the big picture.

However, through study and tempering over the past several years, there has been a definite improvement in the scholarship of "Yang-kang the Worthy."

He has not, because of his high position, formed the bad habit of being obsequious and dissembling. He is still willing to discuss problems with other people, and he is not timid about expressing his own viewpoints.

What will happen after he goes to Taiwan's "Judicial Yuan"? What things will he do?

A figure in Taiwan's legal studies circle has said that the severe and lingering illness in the KMT's "Judicial Yuan" has infected the entire island. Now that Lin Yang-kang has taken over the post of president of the

"Judicial Yuan," will he, with his courageous and resolute, lucid and lively, strong style of doing things, quickly get the "Judicial Yuan" moving? Next, will powerful figures in the KMT, like Hung Shou-man [3163 1108 0589] and Wang Tao-yuan [3076 6670 3293] sincerely cooperate with him and not secretly make things difficult for him? If Lin Yang-kang gets full authority to launch a blood transfusion-type reform movement, there will be new hope for improvement in Taiwan's "Judicial Yuan."

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TAIWAN

PROFILE OF TAIWAN GOVERNOR CHIU CHUANG-HUAN

Hong Kong KUANG CHIAO CHING [WIDE ANGLE] in Chinese No 176, 16 May 87 pp 61-63

[Article by Mei Hsiu-wen [2734 4423 2429]: "Chiu Chuang-huan, Figure in the Power Group and Chairman of the Taiwan Provincial Government"]

[Excerpts] In the KMT power nucleus, Chiu Chuang-huan [6726 0482 3502], 62, member of the Standing Committee of the KMT Central Committee and chairman of the Taiwan provincial government--governor--is a man on whom Chiang Ching-kuo relies heavily. His status is only lower than those of Li Teng-hui [2621 4098 6544] and Lin Yang-kang [2651 3152 3267]. Among Taiwan native personages, he is a figure with a lot of power and influence.

Chiu Chuang-huan is proficient in general administration, but his decision-making ability is rather suspect. In March 1985, when Sun Yun-hsuan [1327 6663 3894] was laid up sick, Chiu Chuang-huan handled matters on his behalf in the "Executive Yuan" for a period of time, during which many policies were unable to be carried out. For this reason, the "Legislative Yuan" publicly called in question his ability to make decisions.

Chiu Chuang-huan is good at being an official, but his reputation as a popular official is far short of that of Lin Yang-kang. His specialized knowledge is not as good as that of Li Teng-hui, and in expediting the administration of Taiwan Province he is encountering many difficult problems. It is understood that several years ago, before he went to assume office in the "Rejuvenation New Village," he went to the "President's Palace" to ask for instructions on the key points in the future administration. The "Summit" wanted him to give more consideration to the peasants and to pay attention to the prosperity of the rural areas. Not long afterward he shouted the slogan "make agriculture intensive," which befogged the scholars and experts and baffled the common people. Given the area of Taiwan's farmland and the economic conditions in its rural areas, it was simply impractical to put forth the slogan "make agriculture intensive." Therefore, after this slogan was shouted, there was no follow-up and the matter has been dropped in recent years. On agricultural questions, Chiu Chuang-huan cannot be compared to Li Teng-hui. The best thing for him to do is to follow conventions, traditions, and old systems, with "Li" advising and "Chiu" following; if he doesn't follow this plan and instead stubbornly insists on showing his own hand, he will be unable to avoid being the butt of a hundred jests!

However, no matter what, Chiu Chuang-huan's loyalty and his general administrative ability have been affirmed by Chiang Ching-kuo. Now that Lin Yang-kang has been promoted, people estimate that Chiu's general standing in the politics of the future will continue to rise.

Chiu Chuang-huan was born into a typical farm family of children. Because of the upheavals in the family's life, he did not receive a full regular education. In 1945, after the recovery of Taiwan, he first took the qualification examinations for junior middle school and senior middle school teachers. Subsequently, he passed the higher universal education examination, and later with college qualifications got into the Political Science University's Research Institute. It is understood that at that time the school system permitted those who had qualified through the higher education examination to sign up for the entrance examination for university research institutes. Later it was ruled that a student in this category had to go back to the university departments to study courses in order to get the minimum credits required for graduation. Because this would have required many school marks, Chiu Chuang-huan decided that he was unable to wait any longer and he just did not do it. Therefore, although in his school experiences he claims to have graduated from Taiwan Political Science University's Research Institute, it is understood that he did not get an academic degree but was only considered to have studied there.

In 1956, Chiu Chuang-huan finished his studies at the research institute. On the strong recommendation of Chang Chin-chien [1728 6855 7002], his counseling professor, who was an administration expert and a member of the "Legislative Committee," he was made deputy department director in the Ministry of Personnel in the Taiwan KMT government. Afterward he rose from deputy director to director, working in the department for 11 years. Later, because the personnel policy of the KMT government changed, a large number of Taiwan Province native youths rose in position. This gave Chiu Chuang-huan a favorable advantage and "when the river rises the boat goes up"--particular things improve with the improvement of the general situation--so he became a sedulously cultivated model. During this period, because his worth was recognized by Chan Chun-chien [6124 4763 7002], member of the Appraisal Committee of the KMT Central Committee and chairman of Group Five of the KMT Central Committee, Chiu Chuang-huan had the opportunity to take an important post in KMT headquarters. When Wang Chen-wu [3769 7201 0063] became vice president of the "Executive Yuan," Chiu Chuang-huan's views on personnel administration were appreciated and he was regularly recommended to the "Summit."

With such help from high-ranking persons, coupled with the changes in the KMT's personnel policy, Chiu Chuang-huan began to have favorable circumstances for a lifelong career. Many of his companions of those years when they had worked with him as assistant directors in the "Ministry of Personnel" are to this day still lowly "orderlies," and not even one is a director. Some people grumble that Chiu Chuang-huan does not have any special ability and that his rise was solely because of his native place and the times, nothing more. At first hearing such talk is quite reasonable. However, since there are many non-Taiwan Province native figures who enjoy special privileges, there must be

even more non-Taiwan Province native figures who have been made "foot cushions." With the great majority of Taiwan Province native figures being unable to share equitably in the political resources, there are bound to be persons like Chiu Chuang-huan who enjoy KMT special privileges and who enjoy wealth and rank and high posts with salaries to match.

Not long after Chiu Chuang-huan became a department director in the Ministry of Personnel, he received a telephone call from the "President's Palace," saying that Chiang Kai-shek wanted to see him immediately. Chiang Kai-shek's summons was an important turning point in Chiu Chuang-huan's political career. After it, his stock shot up, and his old colleagues in the ministry could only look on helplessly.

From September 1967 to July 1969, Chiu Chuang-huan was deputy director of the Fifth Department of the KMT Central Committee, and he began to come in contact with various problems in Taiwan's society. During this period, every day after work when he returned home he would earnestly read "Teachings of the Father of the Republic" and "Instructions From Chiang Kai-shek," and he also took notes. In the course of time, his speech took on more of the style and manner of an official.

From July 1969 to May 1972, at Wang Yun-wu's recommendation, Chiu Chuang-huan was the director of the Taiwan provincial Social Affairs Department. Later he was transferred to the Social Work Association of the KMT Central Committee and became a member of the Political Affairs Committee of the "Executive Yuan." In 1978, he replaced Chang Feng-hsu [1728 6265 4872] as the "minister of interior" in the cabinet of Sun Yun-hsuan, former president of the "Executive Yuan." Among the politicians in Taiwan Province, he does not have the popular electoral base and political glamor of Lin Yang-kang, and he also does not have the scholarly image and specialized knowledge of Li Teng-hui. Conversely, he has a big obsession about holding government posts and he puts on a lot of official airs. Because his ability was inadequate to take on heavy responsibilities, Chiu Chuang-huan suffered during question time in the "Legislative Yuan." Once, during general question time, Kang Ning-hsiang [1660 1380 4382], a nonparty "Legislative Committee member," in the presence of everybody, poured out a flood of invective against him. Chiu Chuang-huan, sitting stiffly to one side, flushed scarlet and wished he could find a hole in the floor to sink into.

From the penetrating criticisms of Chiu Chuang-huan made in Kang Ning-hsiang's questions that day, I have extracted one, as follows:

"I hope that Minister Chiu will take a piece of sincere advice. I feel that the style and attitude of your replies, from those to the questions of Legislative Committee member Huang Huang-hsiung [7806 3552 7160] to the questions of Legislative Committee member Huang Tien-fu [7806 1131 4395], have been glib. I hope you will correct this yourself. You are a native of this place who has become a chief minister, so I highly respect you. With regard to the question of border entry and exit control, from the policy debates everybody knows that all the functions and powers reside in the Ministry of National Defense. You, a chief minister who is a native of this place, are nothing more than a man on whose head others have put a false hat. Today, you

are like a pinch-hitter in baseball. Really, you have position but no power. also those who have real power, who have real power to truly decide policies behind the scenes."

Kang Ning-hsiang's questions perhaps precisely put the finger on Chiu's difficult position.

Although he made no mark as "interior minister," Chiu Chuang-huan's lucky star still shone brightly. At the end of 1981, when Sun Yun-hsuan reshuffled the bureaus and ministries of his cabinet, Chiu Chuang-huan went up another story, becoming vice president of the "Executive Yuan" in Sun Yun-hsuan's cabinet (the present vice president is Taiwan native Lien Chan [6647 2069]). What remains fresh in many people's minds is the "shoe-polishing" talk of a toadying nature that he made on television after getting his new post. Because his attitude was humble and he was full of gratitude to the Chiang family, this model of an official lackey caused some people to make veiled criticisms.

Chiu's term as vice president of the "Executive Yuan" passed tranquilly. Then in March 1985 Sun Yun-hsuan suddenly fell ill, and Chiu Chuang-huan had the good fortune to come on the stage and act on his behalf in the post of president. Because Chiu Chuang-huan himself thought his character and prestige were inadequate to convince people, he did not dare to do something seriously after starting it as a ruse, and, without exception, he did not dare to take the responsibility for decisions on major policies. Thus the "Executive Yuan" sessions only discussed some trivial matters. Also, the sessions were hastily opened and closed, in less than an hour "reciving and filing" papers, a fact that caused deep concern among "Legislative Committee members." Huang Cheng-an [7806 2973 1344] and Lin Ping-sen [2651 3521 2773] publicly criticized his past appointment as vice president of the Executive Yuan and his frequent accomodations to balance political considerations. For example, Vice President Chiu, in order to maintain the achievements of his predecessors, made people feel that the authorities had promoted him based on political factors and that he was not completely empowered, a fact that made him unable to adapt to sudden changes. They suggested that Chiu Chuang-huan should make decisions for which he took complete responsibility and that he should be sure not to have a psychology of waiting for "further instructions," so that the vice president would become someone who might serve as an example.

To reply to their questions, Chiu Chuang-huan, careful about his own affairs, prepared a voluminous article. In one of its paragraphs he mentioned that for a time he was impatient with Chu Shao-hua [4234 7300 5478], former secretary general of the Executive Yuan. Calling him "President Chu" shows the muddled situation. Perhaps he was made unusually soft-spoken and subservient by Chu Shao-hua, who in his subconscious was his superior.

During the preliminary discussions on the namelist of a new cabinet, with his craving for being acting president having passed, Chu Chuang-huan once went through the pipeline and indicated to Chiang Ching-kuo that he should be made president, and that another person from another province should be made the governor of Taiwan Province in order to avoid giving people a handle on the existing concept of using province natives in government. But Chiu Chuang-

huan's wishful thinking obviously was not accepted. Therefore, he backed off and sought his secondary aim by taking the post of Taiwan Province governor.

In just one official post that he took, Chiu Chuang-huan's indecisive character was fully exposed. In his personnel orders, he would issue an order in the morning and rescind it in the evening. For example, he originally ordered Kuo Chun-tzu [6753 0193 2945] to take the post of deputy secretary general in the Taiwan provincial government and Lo Sen-lien [5012 2773 2808] to become director of its News Department. However, when there was pressure from outside quarters, he changed his mind at the last minute, making Kuo Chun-tzu and Lo Sen-lien feel that they did not have the face to appear before "the elders on the lower reaches of the Yangtze River."

In recent years there have been several major catastrophes in Taiwan, and from Chiu Chuang-huan's behavior with regard to them it can be seen that he has insufficient concern for the people's life. For example, the Taiwan provincial Assembly invited him to attend the special meeting that was investigating the "Haishan Coal Mine" case, but Chiu Chuang-huan, on the excuse that he was receiving foreign guests, refused to attend. Again, for example: on the day of the Meishan catastrophe, in order to hurry back to Taichung to dine with provincial assemblymen, Chiu Chuang-huan postponed going to the site of the catastrophe to deal with its aftermath; on the next day, after a meeting of the Standing Committee of the KMT Central Committee, he went to the site to find out the actual situation and to express sympathy and solicitude to the family members. From a look at Chiu Chuang-huan's behavior during these two catastrophes, we see that he is diligent as an official but that he does not have a sympathetic attitude toward the people's difficulties.

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